

Consolidated Financial Results for the Six Months Ended February 28, 2022

Name of Company	Demaecan Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
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- Notes:
- The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 - Amounts are rounded down to the nearest million yen.

1. Consolidated financial highlights for the Six months ended February 28, 2022

(1) Operating results

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

	Year ended			
	February 28, 2021	February 28, 2022		
		%		%
Net sales (Millions of yen)	10,409	171.9	22,737	118.4
Operating profit (Millions of yen)	(8,543)	-	(22,422)	-
Ordinary profit (Millions of yen)	(8,538)	-	(22,660)	-
Profit attributable to owners of parent (Millions of yen)	(9,796)	-	(22,886)	-
Profit per share (Yen):				
Basic	(119.15)		(185.73)	
Diluted	-		-	
Comprehensive income:	Year ended February 28, 2022: (22,886) million yen, -			
	Year ended February 28, 2021: (9,801) million yen, -			

(2) Financial position

	As of	
	August 31, 2021	February 28, 2022
Total assets (Millions of yen)	20,380	81,105
Total net assets (Millions of yen)	6,875	67,641
Equity ratio (%)	32.2	82.7
Equity:	67,084 million yen (as of February 28, 2022)	
	6,555 million yen (as of August 31, 2021)	

2. Dividends

	Year ended August 31, 2021	Year ending August 31, 2022
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	0.00	-
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	0.00	
Annual dividends per share (Yen)	0.00	

- Note: Revision to the dividends forecasts most recently announce: None
 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	%
Operating profit (Millions of yen)	(50,000)~(55,000)	-

Note: Revision to the financial forecasts most recently announce: None

4. Notes

- (1) Important changes in subsidiaries (Changes on specific subsidiaries associated with changes in scope of consolidation): None
- (2) Adoption of special accounting methods for preparation of quarterly financial statements: Yes
Note: Please refer to "2. Consolidated Financial Statements and Notes to Consolidated Financial Statement, (3) Notes to Consolidated Financial Statements" on page 8 for further information
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 1. Changes in accounting policies along with changes in accounting standards: Yes
 2. Other changes of accounting policies besides the number 1 above: None
 3. Changes in accounting estimates: None
 4. Restatements: None
- (4) Number of shares issued and outstanding (common share)
 1. Number of shares issued and outstanding (including treasury shares)

As of February 28, 2022:	131,067,900 shares
As of August 31, 2021:	85,486,500 shares
 2. Number of shares of treasury shares

As of February 28, 2022:	20,674 shares
As of August 31, 2020:	3,267,074 shares
 3. Average number of shares outstanding

As of February 28, 2022:	123,222,811 shares
As of February 28, 2021:	82,216,420 shares

*** 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, (3) Future Forecast" on page 3 for further details.

1. Summary of Operating Results and Financial Position

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

During the first quarter of the fiscal year under review (September 1, 2021 to February 28, 2022), the Group stepped up its efforts to expand the Demae-can business with a view toward attaining its goal of making food delivery part of everyday life.

Given the announcement of quasi-emergency measures to address COVID-19 for the Tokyo metropolitan area and other areas early in 2022, and partly due to a large-scale promotion conducted in Tokyo and its three adjacent prefectures (Saitama, Chiba and Kanagawa) from November 2021 to January 2022, demand for food delivery expanded in these area expanded significantly, resulting in an increase in the number of active users and drivers. With coupons and other proactive investment continued for the acquisition of new users to expand its share in the food delivery market, the Company was able to maintain No.1 app downloads by category from the first quarter of the fiscal year under review, and steadily expand its share in the market in which rationalization is being driven by other competitors.

Additionally, in the weekly campaigns conducted with selected merchants during the above-mentioned promotion, the sales of the merchants that participated in the campaign increased 4.0x on average from the previous week. Its ability to be able to attract users effectively allows the Company to become an essential platform for merchants.

Consequently, consolidated net sales for the first three months of the fiscal year under review increased by 118.4% year on year, to 22,737,406 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 22,422,907 thousand yen (operating loss of 8,543,555 thousand yen in the previous fiscal year), ordinary loss of 22,660,334 thousand yen (ordinary loss of 8,538,290 thousand yen in the previous fiscal year) and loss attributable to owners of parent of 22,886,495 thousand yen (loss attributable to owners of parent of 9,796,394 thousand yen in the previous fiscal year).

Meanwhile, to make a change in its accounting policy, the Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. at the beginning of the first quarter of the fiscal year under review. More information is provided in (4) Notes to Consolidated Financial Statements (Changes in Accounting Policies) under “2. Consolidated Financial Statements and Notes to Consolidated Financial Statement.”

(Thousands of yen)

Category	Six months ended February 28, 2021		Six months ended February 28, 2022		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Demae-can service fees	4,688,073	45.0	7,486,916	32.9	2,798,843	59.7
Delivery commissions	4,691,069	45.1	13,958,170	61.4	9,267,101	197.5
Other transactions	697,139	6.7	1,010,948	4.4	313,808	45.0
Sub-total	10,076,282	96.8	22,456,035	98.8	12,379,753	122.9
Mail order business	333,195	3.2	281,371	1.2	(51,824)	(15.6)
Total	10,409,477	100.0	22,737,406	100.0	12,327,929	118.4

The business results for each segment are described below:

(Demae-can Business)

In the Demae-can business segment, GMV at the end of the first quarter under review increased to 110.0 billion yen (up 55% year on year). In parallel with this increase, the number of active users climbed 47% year on year, to 8.53 million, and the number of riders rose 299% year on year, showing an expansion in line with the management plan.

As a result, net sales in the segment came to 22,456,035 thousand yen (up 122.9% year on year) for the first quarter under review, including 7,486,916 thousand yen in Demae-can service fees, 13,958,170

thousand yen in delivery commissions and 1,010,948 thousand yen from other transactions.

(Mail Order Business)

The Mail Order business segment, which sells shochu and other products to restaurants by mail order, was affected by the shortened operating hours of restaurants due to the COVID-19 pandemic. As a result, net sales in the Mail Order business came to 281,371 thousand yen (down 15.6% year on year) for the first quarter under review.

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

1) Assets, Liabilities, and Net Assets

Current assets at the end of the first half under review amounted to 80,754,643 thousand yen, an increase of 60,711,996 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 1,965,281 thousand yen in account receivable-other and an increase of 58,159,413 thousand yen in cash and deposits.

Non-current assets at the end of the first half under review amounted to 350,673 thousand yen, an increase of 13,280 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 23,015 thousand yen in investment securities.

As a result, total assets at the end of the first half under review amounted to 81,105,316 thousand yen, an increase of 60,725,277 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the first half under review amounted to 13,195,096 thousand yen, an increase of 109,138 thousand yen from the end of the previous fiscal year. This was mainly caused by an increase of 292,902 thousand yen in account payable-other with a decrease of 94,781 thousand yen in income taxes payable and a decrease of 107,824 thousand yen in provision for bonuses.

Non-current liabilities at the end of the first half under review decreased 149,534 thousand yen from the end of the previous fiscal year, to 268,748 thousand yen. This was mainly caused by a decrease of 146,528 thousand yen in guarantee deposits received.

As a result, total liabilities at the end of the first half under review amounted to 13,463,844 thousand yen, a decrease of 40,395 thousand yen from the end of the previous fiscal year.

Net assets amounted to 67,641,471 thousand yen, an increase of 60,765,672 thousand yen from the end of the previous fiscal year. Key factors contributing to this were an increase of 98,799,873 thousand yen in capital surplus due to capital increase and transfer from share capital, and net loss of 22,886,495 thousand yen for the quarter resulted in a decrease in retained earnings.

2) Cash flows

The balance of cash and cash equivalents ("cash") at the end of the first half of the fiscal year under review increased 58,159,413 thousand yen from the end of the previous fiscal year, to 68,356,340 thousand yen.

The state of cash flows and factors for each category for the first half under review are as follows:

(Cash flows from operating activities)

Net cash used in operating activities during the first half under review was 24,692,585 thousand yen (a decrease of 8,028,925 thousand yen in the same period of the previous fiscal year). This was mainly attributable to a loss before income taxes of 22,838,476 thousand yen, depreciation of 9,949 thousand yen, an increase in accounts payable-other of 459,314 thousand yen, and an increase in accounts receivable-other of (1,965,281) thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the first half under review was 165,562 thousand yen (a decrease of 1,081,886 thousand yen in the same period of the previous fiscal year). Key contributing factors included purchase of intangible assets of 164,105 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the first half under review was 83,017,562 thousand

yen (a decrease of 551 thousand yen in the same period of the previous fiscal year). Key contributing factors included proceeds from issuance of shares of 77,619,773 thousand yen and proceeds from disposal of treasury shares of 5,400,729 thousand yen.

(3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results

The business environment surrounding the delivery market is characterized by rapid changes, which may have a significant impact on the Company's financial results. With this in mind, the Company expects that the GMV will be 330 billion yen and operating profit will be in the range from negative 50 billion yen to negative 55 billion yen, based on current assumptions, for the fiscal year ending August 31, 2022.

*GMV refers to Gross Merchandise Value, which amounted to 162.7 billion yen in the fiscal year ended August 31, 2021.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	10,196,926	68,356,340
Notes and accounts receivable—trade	290,586	134,989
Merchandise and finished goods	59,464	68,066
Accounts receivable-other	9,108,784	11,074,065
Other	475,750	1,166,754
Allowance for doubtful accounts	(88,866)	(45,574)
Total current assets	<u>20,042,646</u>	<u>80,754,643</u>
Non-current assets		
Property, plant, and equipment	71,623	63,950
Intangible assets		
Software	6,802	5,545
Other	138	138
Total intangible assets	<u>6,941</u>	<u>5,683</u>
Investments and other assets		
Investment securities	210,002	232,398
Guarantee deposits	35,547	35,362
Deferred tax assets	12,896	12,896
Other	9,182	9,121
Allowance for doubtful accounts	(8,800)	(8,739)
Total investments and other assets	<u>258,828</u>	<u>281,039</u>
Total non-current assets	<u>337,393</u>	<u>350,673</u>
Total assets	<u>20,380,039</u>	<u>81,105,316</u>

(Thousands of yen)

	As of August 31, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,604	34,209
Accounts payable - other	12,616,764	12,909,667
Income taxes payable	141,552	46,771
Provision for bonuses	131,909	24,084
Other	169,125	180,363
Total current liabilities	13,085,957	13,195,096
Non-current liabilities		
Other	418,283	268,748
Total non-current liabilities	418,283	268,748
Total liabilities	13,504,240	13,463,844
Net assets		
Shareholders' equity		
Share capital	16,113,422	100,000
Capital surplus	12,980,932	111,780,805
Retained earnings	(21,966,290)	(44,852,786)
Treasury shares	(633,319)	(4,007)
Total shareholders' equity	6,494,744	67,024,011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,739	60,274
Total accumulated other comprehensive income	60,739	60,274
share acquisition rights	320,315	557,186
Total net assets	6,875,798	67,641,471
Total liabilities and net assets	20,380,039	81,105,316

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Six months ended February 28, 2021	Six months ended February 28, 2022
Net sales	10,409,477	22,737,406
Cost of sales	5,334,892	26,127,354
Gross profit	5,074,585	(3,389,947)
Selling, general and administrative expenses	13,618,140	19,032,960
Operating profit	(8,543,555)	(22,422,907)
Non-operating income		
Interest income	143	347
Dividend income	826	787
Share of profit of entities accounted for using equity method	16,337	33,427
Insurance claim income	1,882	6,770
Subsidy income	8,532	123,413
Other	1,672	3,603
Total non-operating income	29,395	168,350
Non-operating expenses		
Interest expenses	187	363
Loss on cancellation of insurance policies	11,048	-
Compensation for damage	12,308	5,539
Share issuance costs	-	394,753
Other	585	5,120
Total non-operating expenses	24,130	405,778
Ordinary profit	(8,538,290)	(22,660,334)
Extraordinary income		
Gain on sales of non-current assets	-	3,272
Gain on sale of investment securities	68	-
Total extraordinary income	68	3,272
Extraordinary losses		
Loss on retirement of non-current assets	69	10
Impairment losses	1,113,812	-
Costs related to correction of prior period financial statements	-	181,403
Retirement benefits for directors	100,000	-
Other	7,445	-
Total extraordinary losses	1,221,327	181,414
Profit before income taxes	(9,759,550)	(22,838,476)
Income taxes	36,843	48,019
Loss	(9,796,394)	(22,886,495)
Loss attributable to owners of parent	(9,796,394)	(22,886,495)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Six months ended February 28, 2021	Six months ended February 28, 2022
Profit	(9,796,394)	(22,886,495)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,234)	(465)
Total other comprehensive income	(5,234)	(465)
Comprehensive income	(9,801,629)	(22,886,960)

(Thousands of yen)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Comprehensive income attributable to owners of parent	(9,801,629)	(22,886,960)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended February 28, 2021	Six months ended February 28, 2022
Cash flows from operating activities		
Profit before income taxes	(9,759,550)	(22,838,476)
Depreciation	7,780	9,949
Impairment loss	1,113,812	-
Share-based remuneration expenses	79,125	237,376
Loss on retirement of non-current assets	69	10
Loss (gain) on sales of investment securities	(68)	-
Increase (decrease) in allowance for doubtful accounts	21,576	(43,353)
Increase (decrease) in provision for bonuses	38,367	(107,824)
Interest and dividend income	(970)	(1,134)
Share issuance costs	-	394,753
Interest expenses	187	363
Share of (profit) loss of entities accounted for using equity method	(16,337)	(33,427)
Decrease (increase) in notes and accounts receivable - trade	(48,941)	155,657
Decrease (increase) in inventories	8,445	(8,478)
Increase (decrease) in notes and accounts payable - trade	(29,223)	7,604
Decrease (increase) in accounts receivable-other	(954,587)	(1,965,281)
Increase (decrease) in accounts payable-other	1,880,718	459,314
Other	(341,085)	(910,495)
Subtotal	(8,000,679)	(24,643,441)
Interest and dividend income received	4,656	11,546
Interest expenses paid	(187)	(363)
Income taxes paid	(38,276)	(65,704)
Income taxes refund	5,562	5,376
Net cash provided by) operating activities	(8,028,925)	(24,692,585)
Cash flows from investing activities		
Purchase of property, plant and equipment	(54,946)	(3,382)
Proceeds from property, plant and equipment		4,222
Purchase of intangible assets	(1,029,625)	(164,105)
Proceeds from sales of investment securities	156	-
Other	2,528	(2,296)
Net cash provided by (used in) investing activities	(1,081,886)	(165,562)

	(Thousands of yen)	
	Six months ended February 28, 2021	Six months ended February 28, 2022
Cash flows from financing activities		
Proceeds from issuance of shares	-	77,619,773
Proceeds from disposal of treasury shares of subsidiaries	403	5,400,729
Cash dividends paid	(190)	(28)
Purchase of issuance of share acquisition rights	2,043	-
Other	(2,807)	(2,911)
△551	(551)	83,017,562
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(9,111,363)	58,159,413
Cash and cash equivalents at beginning of period	28,966,185	10,196,926
Cash and cash equivalents at end of period	19,854,821	68,356,340

(4) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

The Company issued new shares through an overseas offering with a payment date of September 30, 2021, and disposed of part of its treasury shares. Consequently, share capital and legal capital surplus increased 13,377,393 thousand yen each and treasury shares decreased 5,624,640 thousand yen.

In addition, the Company increased capital through third-party allotment to Z Holdings Corporation and NAVER Corporation with a payment date of September 30, 2021. Consequently, share capital and legal capital surplus increased 25,629,870 thousand yen each.

Furthermore, in accordance with the resolution of the Company's 22nd annual general meeting of shareholders held on November 29, 2021, capital stock was reduced by 55,020,686 thousand yen and the same amount was transferred to other capital surplus in accordance with Article 447, Paragraph 1 of the Companies Act.

As a result, share capital is 100,000 thousand yen, capital surplus is 111,780,805 thousand yen, and treasury shares are 4,007 thousand yen as of the end of the first quarter of the fiscal year under review.

(Adoption of special accounting methods for preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

With respect to the calculation of tax expenses, reasonable estimations are performed on an effective tax rate established after applying tax accounting to profit before income taxes for the consolidated fiscal year, which includes the second quarter of the consolidated fiscal year under review, and such tax expenses are calculated by multiplying this estimated effective tax rate by profit before income taxes. If the calculation of tax expenses using the estimated effective tax rate is extremely unreasonable, profit/loss before income taxes multiplied by the statutory tax rate is used and the recoverability of deferred tax assets is taken into consideration.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition and other standards)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first quarter under review and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services is transferred to a customer.

Major changes attributable to the application of the Revenue Recognition Accounting Standard and related measures are as follows.

Part of promotion expenses, etc. targeting users, which were posted under selling, general and administrative expenses in the past, have been changed to a reduction from transaction prices as transactions that include variable consideration.

The Revenue Recognition Accounting Standard is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained surplus at the beginning of the first quarter of the fiscal year under review. This balance of retained surplus is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the first quarter, either by adding it to or deducting it from the retained surplus.

As a result, net sales decreased 5,280,336 thousand yen and selling, general and administrative expenses decreased 5,280,336 thousand yen for the second quarter of the fiscal year under review.

In accordance with the transitional measures stipulated in paragraph 89-2 of the standard, the reported amounts for the previous fiscal year have not been reclassified to conform with the current classifications. According to the transitional measures prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company did not include information on the breakdown of revenue from contracts with customers in the first quarter of the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the consolidated fiscal year under review. Thus, it will apply the new accounting principles set forth in the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional provisions set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the new accounting policies has no effect on quarterly consolidated financial statements.

(Segment information)

1) Net sales and profit or loss in reportable segments

Six months ended February 28, 2021 (from September 1, 2020 to February 28, 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	10,076,282	333,195	10,409,477	-	10,409,477
Intersegment sales or transfers	15	332,706	332,722	(332,722)	-
Net sales	10,076,298	665,902	10,742,200	(332,722)	10,409,477
Segment profit / loss	(8,585,490)	49,715	(8,535,775)	(7,780)	(8,543,555)
Other items					
Depreciation	312	7,468	7,780	-	7,780

Note: 1. The adjustment of (7,780) thousand yen in the segment profit (loss) is depreciation expenses for the reporting segments.

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

2. Information on impairment loss in non-current assets and goodwill by reporting segment.

(Significant impairment loss on fixed assets)

In Demae-can business, the Company posted an impairment loss on fixed assets acquired during the second quarter of the current fiscal year. The amount of the impairment loss was 1,113,812 thousand yen in the second quarter of the current fiscal year.

Six months ended February 28, 2022 (from September 1, 2021 to February 28, 2022)

(Thousands of yen)

	Reportable segments			Adjustment Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Demae-can service fees (Note 3)	7,486,916	-	7,486,916	-	7,486,916
Delivery commissions (Note 3)	13,958,170	-	13,958,170	-	13,958,170
Mail order business (Note 3)	-	281,371	281,371	-	281,371
Other transactions	1,010,948	-	1,010,948	-	1,010,948
Sales to external customers	22,456,035	281,371	22,737,406	-	22,737,406
Intersegment sales or transfers	-	410,175	410,175	(410,175)	-
Net sales	22,456,035	691,547	23,147,582	(410,175)	22,737,406
Segment profit / loss	(22,459,858)	46,900	(22,412,958)	(9,949)	(22,422,907)
Other items					
Depreciation	44	9,905	9,949	-	9,949

Note:

1. The adjustment of segment profit or loss, (9,949) thousand yen, is the depreciation of reporting segments.
2. The total amount of segment profit or loss of the reporting segments and the total amount of adjustment are consistent with the operating loss reported in the quarterly consolidated statements of income.
3. Consists primarily of goods and services transferred at a point in time.

2. Information on impairment loss in non-current assets and goodwill by reporting segment.

Not applicable

3. Matters concerning changes in reporting segments, etc.

As described in "Changes in Accounting Policies," the Company adopted the Accounting Standard for Revenue Recognition, etc. and changed its accounting methods for revenue recognition at the beginning of the first quarter under review. Reflecting this change, it modified its method for measuring the profits and losses of its business segments.

Due to this change, net sales from the Demae-can business in the second quarter of the fiscal year under review decreased 5,280,336 thousand yen from the amount based on the previous method. This will not affect the segment profit or loss.