

## Consolidated Financial Results for the Three Months Ended November 30, 2021

Name of Company	Demaecan Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	<a href="https://corporate.demaecan.com/en/">https://corporate.demaecan.com/en/</a>
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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 Three Months Ended November 30, 2021

#### (1) Operating results

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

	Year ended			
	November 30, 2020		November 30, 2021	
		%		%
Net sales (Millions of yen)	4,186	130.4	10,342	147.1
Operating profit (Millions of yen)	(3,229)	-	(8,972)	-
Ordinary profit (Millions of yen)	(3,231)	-	(8,963)	-
Profit attributable to owners of parent (Millions of yen)	(3,582)	-	(8,983)	-
Profit per share (Yen):				
Basic	(43.58)		(77.79)	
Diluted	-		-	
Comprehensive income:	Year ended November 30, 2021: (8,933) million yen, -		Year ended November 30, 2020: (3,581) million yen, -	

#### (2) Financial position

	As of	
	November 30, 2020	November 30, 2021
Total assets (Millions of yen)	20,380	95,672
Total net assets (Millions of yen)	6,875	81,416
Equity ratio (%)	32.2	84.6
Equity:	80,977 million yen (as of November 30, 2021)	
	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 November 30, 2021:	131,067,900 shares
As of August 31, 2021:	85,486,500 shares
  2. Number of shares of treasury shares

As of November 30, 2021:	20,674 shares
As of August 31, 2020:	3,267,074 shares
  3. Average number of shares outstanding

As of November 30, 2021:	115,484,379 shares
As of November 30, 2020:	82,215,804 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 5 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 November 30, 2021), 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.

Starting in November 2021, the Company conducted large-scale campaigns in Tokyo and its three adjacent prefectures (Saitama, Chiba and Kanagawa). In doing so, it succeeded in increasing the number of users, riders, and partner restaurants.

For partner restaurants, the Company strengthened its consulting efforts and conducted campaigns on a weekly basis in cooperation with selected merchants.

In delivery operations, the number of riders rose following initiatives to acquire them to handle increasing demand from users.

With regard to the expansion of usage, the use of popular contents creators in TV commercials and other usage promotion initiatives resulted in strong acquisition of younger users, and the implementation of campaigns led to an increase in the frequency of use

Consequently, consolidated net sales for the first three months of the fiscal year under review increased by 147.1% year on year, to 10,342,652 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 8,972,372 thousand yen (operating loss of 3,229,883 thousand yen in the previous fiscal year), ordinary loss of 8,963,246 thousand yen (ordinary loss of 3,231,092 thousand yen in the previous fiscal year) and loss attributable to owners of parent of 8,983,763 thousand yen (loss attributable to owners of parent of 3,582,612 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 (3) Notes to Consolidated Financial Statements (Changes in Accounting Policies) under 2. Consolidated Financial Statements and Notes to Consolidated Financial Statement.

(Thousands of yen)

Category	Three months ended November 30, 2020		Three months ended November 30, 2021		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Demae-can service fees	2,007,791	48.0	3,389,089	32.8	1,381,297	68.8
Delivery commissions	1,632,274	39.0	6,371,532	61.6	4,739,258	290.3
Other transactions	354,466	8.5	450,203	4.4	95,737	27.0
Sub-total	3,994,532	95.4	10,210,825	98.7	6,216,293	155.6
Mail order business	191,516	4.6	131,826	1.3	(59,690)	(31.2)
Total	4,186,049	100.0	10,342,652	100.0	6,156,603	147.1

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 48.8 billion yen (up 59% year on year). In parallel with this increase, the number of active users climbed 64% year on year, to 7.73 million, and the number of riders rose 447% year on year, showing an expansion in line with the management plan.

As a result, net sales in the segment came to 10,210,825 thousand yen (up 155.6% year on year) for the first quarter under review, including 3,389,089 thousand yen in Demae-can service fees, 6,371,532 thousand yen in delivery commissions and 450,203 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 131,826 thousand yen (down 31.2% 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 quarter under review amounted to 95,356,103 thousand yen, an increase of 75,313,457 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 75,710,259 thousand yen in cash and deposits.

Non-current assets at the end of the first quarter under review amounted to 316,627 thousand yen, a decrease of 20,766 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 16,145 thousand yen in investment securities.

As a result, total assets at the end of the first quarter under review amounted to 95,672,730 thousand yen, an increase of 75,292,691 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the first quarter under review amounted to 13,949,281 thousand yen, an increase of 863,324 thousand yen from the end of the previous fiscal year. This increase mainly reflected a rise of 1,037,170 thousand yen in accounts payable - other.

Non-current liabilities at the end of the first quarter under review decreased 111,104 thousand yen from the end of the previous fiscal year, to 307,178 thousand yen. Key factors contributing to this decrease included a decrease of 111,104 thousand yen in other non-current liabilities.

As a result, total liabilities at the end of the first quarter under review amounted to 14,256,460 thousand yen, an increase of 752,219 thousand yen from the end of the previous fiscal year.

Net assets amounted to 81,416,270 thousand yen, an increase of 74,540,471 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included increases of 39,007,263 thousand yen and 43,779,186 thousand yen in share capital and capital surplus, respectively, which were partially offset by a decrease of 8,983,763 thousand yen in retained earnings as a result of the posting of 8,983,763 yen as a loss attributable to owners of parent.

## **(3) Explanation of Information on Future Forecasts, Including the Forecase 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, 2020.

\*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 November 30, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,196,926	85,907,185
Notes and accounts receivable—trade	290,586	94,681
Merchandise and finished goods	59,464	49,403
Accounts receivable-other	9,108,784	8,625,219
Other	475,750	718,497
Allowance for doubtful accounts	(88,866)	(38,883)
Total current assets	<u>20,042,646</u>	<u>95,356,103</u>
<b>Non-current assets</b>		
Property, plant, and equipment	71,623	67,329
Intangible assets		
Software	6,802	6,161
Other	138	138
Total intangible assets	<u>6,941</u>	<u>6,299</u>
Investments and other assets		
Investment securities	210,002	193,857
Guarantee deposits	35,547	35,861
Deferred tax assets	12,896	12,896
Other	9,182	9,664
Allowance for doubtful accounts	(8,800)	(9,282)
Total investments and other assets	<u>258,828</u>	<u>242,997</u>
Total non-current assets	<u>337,393</u>	<u>316,627</u>
<b>Total assets</b>	<u><b>20,380,039</b></u>	<u><b>95,672,730</b></u>

(Thousands of yen)

	As of August 31, 2021	As of November 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	26,604	39,686
Accounts payable - other	12,616,764	13,653,934
Income taxes payable	141,552	5,418
Provision for bonuses	131,909	37,411
Other	169,125	212,831
<b>Total current liabilities</b>	<b>13,085,957</b>	<b>13,949,281</b>
<b>Non-current liabilities</b>		
Other	418,283	307,178
<b>Total non-current liabilities</b>	<b>418,283</b>	<b>307,178</b>
<b>Total liabilities</b>	<b>13,504,240</b>	<b>14,256,460</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	16,113,422	55,120,686
Capital surplus	12,980,932	56,760,118
Retained earnings	(21,966,290)	(30,950,053)
Treasury shares	(633,319)	(4,007)
<b>Total shareholders' equity</b>	<b>6,494,744</b>	<b>80,926,744</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	60,739	51,028
<b>Total accumulated other comprehensive income</b>	<b>60,739</b>	<b>51,028</b>
<b>share acquisition rights</b>	<b>320,315</b>	<b>438,497</b>
<b>Total net assets</b>	<b>6,875,798</b>	<b>81,416,270</b>
<b>Total liabilities and net assets</b>	<b>20,380,039</b>	<b>95,672,730</b>

## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated Statements of Income

	(Thousands of yen)	
	Three months ended November 30, 2020	Three months ended November 30, 2021
<b>Net sales</b>	4,186,049	10,342,652
Cost of sales	1,728,830	9,805,861
<b>Gross profit</b>	<b>2,457,219</b>	<b>536,790</b>
Selling, general and administrative expenses	5,687,102	9,509,162
<b>Operating profit</b>	<b>(3,229,883)</b>	<b>(8,972,372)</b>
Non-operating income		
Share of profit of entities accounted for using equity method	3,833	8,212
Dividend income	370	3,192
Subsidy income	6,929	270
Other	1,237	2,612
<b>Total non-operating income</b>	<b>12,370</b>	<b>14,286</b>
Non-operating expenses		
Interest expenses	41	181
Compensation for damage	2,212	3,289
Loss on cancellation of insurance policies	11,048	-
Other	276	1,689
<b>Total non-operating expenses</b>	<b>13,579</b>	<b>5,160</b>
<b>Ordinary profit</b>	<b>(3,231,092)</b>	<b>(8,963,246)</b>
Extraordinary income		
Gain on sales of non-current assets	-	3,272
<b>Total extraordinary income</b>	<b>-</b>	<b>3,272</b>
Extraordinary losses		
Impairment loss	235,217	-
Retirement benefits for directors	100,000	-
<b>Total extraordinary losses</b>	<b>355,217</b>	<b>-</b>
<b>Profit before income taxes</b>	<b>(3,566,310)</b>	<b>(8,959,973)</b>
Income taxes	16,302	23,789
<b>Loss</b>	<b>(3,582,612)</b>	<b>(8,983,763)</b>
Loss attributable to owners of parent	(3,582,612)	(8,983,763)

### Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Three months ended November 30, 2020	Three months ended November 30, 2021
<b>Profit</b>	<b>(3,582,612)</b>	<b>(8,983,763)</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(1,219)	(9,710)
<b>Total other comprehensive income</b>	<b>(1,219)</b>	<b>(9,710)</b>
<b>Comprehensive income</b>	<b>(3,581,393)</b>	<b>(8,993,473)</b>
Comprehensive income attributable to owners of parent	(3,581,393)	(8,993,473)
Comprehensive income attributable to non-controlling interests	-	-

### **(3) 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.

As a result, share capital is 55,120,686 thousand yen, capital surplus is 56,760,118 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 first 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 0 thousand yen and selling, general and administrative expenses decreased 0 thousand yen for the first 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

Three months ended November 30, 2020 (from September 1, 2020 to November 30, 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	3,994,532	191,516	4,186,049	-	4,186,049
Intersegment sales or transfers	7	142,555	142,562	(142,562)	-
Net sales	3,994,539	334,072	4,328,611	(142,562)	4,186,049
Segment profit / loss	(3,243,806)	17,743	(3,226,062)	(3,820)	(3,229,883)
Other items					
Depreciation	166	3,654	3,820	-	3,820

Note: 1. The adjustment of (3,820) 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 inconsistent 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 first quarter of the current fiscal year. The amount of the impairment loss was 235,217 thousand yen in the first quarter of the current fiscal year.

Three months ended November 30, 2021 (from September 1, 2021 to November, 2021)

(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)	3,389,089	-	3,389,089	-	3,389,089
Delivery commissions (Note 3)	6,371,532	-	6,371,532	-	6,371,532
Mail order business (Note 3)	-	131,826	131,826	-	131,826
Other transactions	450,203	-	450,203	-	450,203
Sales to external customers	10,210,825	131,826	10,342,652	-	10,342,652
Intersegment sales or transfers	2	210,117	210,119	(210,119)	-
Net sales	10,210,827	341,944	10,552,771	(210,119)	10,342,652
Segment profit / loss	(8,987,554)	20,162	(8,967,392)	(4,979)	(8,972,372)
Other items					
Depreciation	44	4,935	4,979	-	4,979

Note:

1. The adjustment of segment profit or loss, (4,979) 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 first quarter of the fiscal year under review decreased 0 thousand yen from the amount based on the previous method. This will not affect the segment profit or loss.