

## Consolidated Financial Results for the Six Months Ended February 28, 2019

Name of Company	Yume no Machi Souzou Iinkai Co., Ltd.
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	http://www.yumenomachi.co.jp/en/
Representative	Rie Nakamura, President & CEO
Contact	Atsushi Miyashita, Director, in charge of Administration Division
TEL	+81 3 4500 9386

- 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 Six Months Ended February, 2019

#### (1) Operating results

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

	Six months ended			
	February 28, 2018		February 28, 2019	
		%		%
Net sales (Millions of yen)	2,568	1.7	3,119	21.4
Operating profit (Millions of yen)	341	(8.4)	(40)	-
Ordinary profit (Millions of yen)	353	(4.0)	(19)	-
Profit attributable to owners of parent (Millions of yen)	225	24.0	(33)	-
Profit per share (Yen):				
Basic	5.56		(0.82)	-
Diluted	5.46		-	-
Comprehensive income:	Year ended February 28, 2019: 7 million yen, (97.5%)			
	Year ended February 28, 2018: 295 million yen, 56.6%			

#### (2) Financial position

	As of	
	August 31, 2018	February 28, 2019
Total assets (Millions of yen)	6,502	6,007
Total net assets (Millions of yen)	3,268	2,902
Equity ratio (%)	50.1	48.2
Equity:	2,898 million yen (as of February 28, 2019)	
	3,255 million yen (as of August 31, 2018)	

### 2. Dividends

	Year ended August 31, 2018	Year ending August 31, 2019	Year ending August 31, 2019 (Forecast)
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)	3.60	-	3.60
Annual dividends per share (Yen)	3.60	-	3.60

Note: Revision to the dividends forecasts most recently announced: Yes

For details, please see "Notice Regarding Revision of Consolidated Financial Forecast" announced on March 28, 2019.

### 3. Financial forecasts for the fiscal year ending August 31, 2019

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

	Year ending August 31, 2019	
		%
Net sales (Millions of yen)	7,000	28.9
Operating profit (Millions of yen)	(300)	-
Ordinary profit (Millions of yen)	(290)	-
Profit attributable to owners of parent (Millions of yen)	(300)	-
Profit per share (Yen)	(7.34)	

Note: Revision to the financial forecasts most recently announced: Yes

### 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, (4) Notes to Consolidated Financial Statements" on page 10 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: None

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, 2019: 44,390,400 shares

As of August 31, 2018: 44,390,400 shares

2. Number of shares of treasury shares

As of February 28, 2019: 3,497,074 shares

As of August 31, 2018: 3,883,274 shares

3. Average number of shares outstanding

As of February 28, 2019: 40,703,702 shares

As of February 28, 2018: 40,493,483 shares

#### \* Status of implementation of quarterly review procedures

This Consolidated Financial Results is outside the scope of the audit procedures under the Financial Instruments and Exchange Act.

#### \* Explanation of the appropriate use of financial forecast:

The financial forecasts and estimates provided in this Consolidated Financial Results are based on certain assumptions judged to be reasonable by the Company and available information at the time of report issuance, and therefore are not guarantees of future performance. Consequently, actual results may differ substantially from those described in this Consolidated Financial Results. Please refer to "1. Qualitative Information Regarding Financial Statements, (3) Future Forecast" on page 5 for further details.

(How to obtain supplementary financial results documents)

The Company is scheduled to hold a results briefing for institutional investors and analysts on Friday, March 29, 2019. The financial results documents distributed at the briefing will be posted on its website promptly after the event.

## 1. Qualitative Information Regarding Financial Statements

### (1) Explanation of Operating Results

During the second quarter under review (from September 1, 2018 to February 28, 2019), the Group carried out a range of measures for our basic policy of building a robust business foundation for the *Demae-can* business.

With regard to accelerating the development of the *Sharing Delivery* business, which is the Group's main strategy, popular chains such as "Hidakaya," "Uobei," and "Miyamoto Munashi" became affiliated with *Demae-can* in the second quarter, and the number of local popular restaurants in each region increased steadily. As for expanding *Sharing Delivery* areas, the Group promoted the creation of a revenue model for delivery locations. Also expanded into Kyoto, Nara, and Hiroshima prefectures, and a local transport company joined as a delivery partner in Fukuyama City, Hiroshima Prefecture. As a result, the number of delivery locations totaled 104 as of the end of February 2019.

In addition, in order to streamline operations, the Company concluded a business collaboration agreement with Tsunagu Solutions Inc. and Indival, Inc. on December 27, 2018, and worked toward the launch of "shotworks delivery with *Demae-can*," a new service to help resolve staff shortages at affiliated stores and delivery locations.

Consequently, net sales for the first half of the fiscal year under review increased by 21.4% year on year to 3,119,580 thousand yen, but aggressive business development and investment resulted in an operating loss of 40,161 thousand yen (operating profit of 341,034 thousand yen in the same period last year), an ordinary loss of 19,264 thousand yen (ordinary profit of 353,570 thousand yen in the same period last year), and a loss attributable to owners of parent of 33,266 thousand yen (profit attributable to owners of parent of 225,187 thousand yen in the same period last year).

(Thousands of yen)

Category	Six months ended February 28, 2018		Six months ended February 28, 2019		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Basic operation fee	194,587	7.6	231,873	7.4	37,285	19.2
Order commissions	1,241,371	48.3	1,557,801	49.9	316,429	25.5
Advertising revenue	8,107	0.3	11,746	0.4	3,638	44.9
Other transactions	434,199	16.9	661,020	21.2	226,821	52.2
Sub-total	1,878,266	73.1	2,462,440	78.9	584,174	31.1
Mail order business	690,515	26.9	657,140	21.1	(33,374)	(4.8)
Total	2,568,781	100.0	3,119,580	100.0	550,799	21.4

The business results for each segment are described below:

#### (*Demae-can* Business)

In the *Demae-can* business segment, the number of active users was approximately 2.82million (up 10.8% year on year), the number of affiliated stores was 18,572 (up 15.5% year on year) and the number of orders placed was approximately 13.76 million (up 24.9% year on year) at the first quarter of the current fiscal year. As a result, net sales in the *Demae-can* business segment came to 2,462,440 thousand yen (up 31.1% year on year) for the current fiscal year, included 231,873 thousand yen for basic operation fee, 1,557,801 thousand yen for order commissions, 11,746 thousand yen for advertising revenue and 661,020 thousand yen for other transactions.

#### (Mail Order Business)

In the Mail Order business segment, net sales came to 657,140 thousand yen (down 4.8% year on year) by the mail order sales of Shochu etc. to the restaurants all over Japan.

## **(2) Qualitative Information on Consolidated Financial Conditions**

### **1) Analysis of Assets, Liabilities and Net Assets**

Current assets at the end of the Second quarter under review amounted to 4,606,641 thousand yen, a decrease of 663,317 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 699,164 thousand yen in cash and deposits and 164,663 thousand yen in Notes and accounts receivable-trade, which offset an increase of 213,926 thousand yen in accounts receivable-other.

Non-current assets at the end of the Second quarter under review amounted to 1,401,210 thousand yen, an increase of 169,011 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 68,073 thousand yen in investment securities and 88,599 thousand yen in software in progress, which offset a decrease of 49,924 thousand yen in software.

As a result, total assets at the end of the second quarter under review amounted to 6,007,851 thousand yen, a decrease of 494,306 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the second quarter under review amounted to 3,057,342 thousand yen, a decrease of 107,294 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 16,710 thousand yen in notes and accounts payable - trade, which offset an increase of 161,431 thousand yen in accounts payable-other and 13,287 thousand yen in provision for bonuses.

Non-current liabilities at the end of the second quarter under review amounted to 47,725 thousand yen, a increase of 20,866 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 18,862 thousand yen in other non-current liabilities, which offset a decrease of 2,004 thousand yen in long-term loans payable.

Net assets at the end of the second quarter under review amounted to 2,902,783 thousand yen, a decrease of 366,145 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 33,266 thousand yen in loss attributable to owners of parent and 5,991 thousand yen in capital surplus, 299,947 thousand yen in purchase of treasury shares and 145,825 thousand yen in dividends of surplus, which offset a increase of 89,004 thousand yen by disposal of treasury shares.

### **2) Analysis of Cash Flows**

Cash and cash equivalents (hereinafter, the "Funds") were 2,229,054 thousand yen at the end of the second quarter under review, representing a decrease of 699,164 thousand yen compared with the end of the prior fiscal year. Cash flows and contributing factors for the six months will be discussed in detail below.

#### **(Cash flow from operating activities)**

Cash flow from operating activities increased by 62,153 thousand yen (as compared with the increase of 233,413 thousand yen for the same period of last year), reflecting 36,865 thousand yen in loss before income taxes, 112,969 thousand yen in depreciation, which offset a 90,166 thousand yen decrease in income taxes paid.

#### **(Cash flow from investing activities)**

The use of 202,272 thousand yen for investing activities (as compared with the use of 128,654 thousand yen for the same period of last year) was primarily 117,406 thousand yen for the purchase of intangible assets.

#### **(Cash flow from financing activities)**

The use of 558,590 thousand yen for financing activities (as compared with the use of 185,860 thousand yen for the same period of last year) was primarily for the repayments of long-term loans payable of 2,004 thousand yen, the purchase of treasury shares of 299,947 thousand yen, proceeds from disposal of treasury shares of 91,194 thousand yen, and cash dividends paid of 145,738 thousand yen.

### **(3) Future Forecast**

With regard to consolidated financial forecasts, based on recent business trends, The company will announce our consolidated financial forecasts for the full fiscal year ending August 2019 announced on October 11, 2018, "Consolidated Financial Results for the Year Ended August 31, 2018". For more details, please refer to the Notice Regarding Revision of Consolidated Financial Forecast, published separately on March 28, 2019.

## 2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

### (1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2018	As of February 28, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,928,218	2,229,054
Notes and accounts receivable-trade	350,154	185,491
Merchandise and finished goods	61,238	62,722
Accounts receivable-other	1,864,879	2,078,805
Other	69,364	83,208
Allowance for doubtful accounts	(3,897)	(32,641)
<b>Total current assets</b>	<b>5,269,958</b>	<b>4,606,641</b>
<b>Non-current assets</b>		
Property, plant, and equipment	122,855	179,617
Intangible assets		
Software	588,166	538,242
Software in progress	16,015	104,614
Other	138	138
<b>Total intangible assets</b>	<b>604,320</b>	<b>642,995</b>
Investments and other assets		
Investment securities	348,380	416,454
Guarantee deposits	114,590	114,868
Deferred tax assets	13,865	13,865
Other	28,431	34,146
Allowance for doubtful accounts	(244)	(737)
<b>Total investments and other assets</b>	<b>505,023</b>	<b>578,596</b>
<b>Total non-current assets</b>	<b>1,232,199</b>	<b>1,401,210</b>
<b>Total assets</b>	<b>6,502,157</b>	<b>6,007,851</b>

(Thousands of yen)

	As of August 31, 2018	As of February 28, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	98,960	82,249
Short-term loans payable	800,000	600,000
Current portion of long-term loans payable	4,008	4,008
Accounts payable - other	1,985,520	2,146,952
Income taxes payable	110,232	43,533
Provision for bonuses	32,662	45,949
Other	133,252	134,648
Total current liabilities	<u>3,164,636</u>	<u>3,057,342</u>
<b>Non-current liabilities</b>		
Long-term loans payable	3,634	1,630
Other	64,957	46,095
Total non-current liabilities	<u>68,591</u>	<u>47,725</u>
<b>Total liabilities</b>	<u><b>3,233,227</b></u>	<u><b>3,105,067</b></u>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,113,300	1,113,300
Capital surplus	637,340	631,349
Retained earnings	1,813,455	1,632,392
Treasury shares	(466,962)	(677,905)
Total shareholders' equity	<u>3,097,134</u>	<u>2,699,137</u>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	157,641	199,359
Foreign currency translation adjustment	1,043	-
Total valuation and translation adjustments	<u>158,685</u>	<u>199,359</u>
<b>Subscription rights to shares</b>	<u>6,637</u>	<u>4,285</u>
<b>Non-controlling interests</b>	<u>6,472</u>	<u>-</u>
<b>Total net assets</b>	<u><b>3,268,929</b></u>	<u><b>2,902,783</b></u>
<b>Total liabilities and net assets</b>	<u><b>6,502,157</b></u>	<u><b>6,007,851</b></u>

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

### Consolidated Statements of Income

	(Thousands of yen)	
	Six months ended February 28, 2018	Six months ended February 28, 2019
<b>Net sales</b>	<b>2,568,781</b>	<b>3,119,580</b>
Cost of sales	924,050	1,193,770
<b>Gross profit</b>	<b>1,644,730</b>	<b>1,925,810</b>
Selling, general and administrative expenses	1,303,696	1,965,972
<b>Operating profit (loss)</b>	<b>341,034</b>	<b>(40,161)</b>
Non-operating income		
Interest income	34	53
Dividend income	1,465	1,709
Reversal of allowance for doubtful accounts	-	5,005
Share of profit of entities accounted for using equity method	10,405	14,029
Foreign exchange gain	66	-
Other	1,649	1,685
Total non-operating income	13,620	22,482
Non-operating expenses		
Interest expenses	420	1,011
Foreign exchange losses	-	455
Other	664	118
Total non-operating expenses	1,084	1,585
<b>Ordinary profit (loss)</b>	<b>353,570</b>	<b>(19,264)</b>
Extraordinary losses		
Loss on retirement of non-current assets	792	8,924
Impairment loss	13,768	-
Loss on sales of shares of subsidiaries and associates	-	8,676
Total extraordinary losses	14,561	17,600
<b>Profit before income taxes</b>	<b>339,008</b>	<b>(36,865)</b>
Income taxes	114,623	(3,599)
<b>Profit</b>	<b>224,385</b>	<b>(33,266)</b>
Profit (loss) attributable to non-controlling interests	(801)	-
Profit attributable to owners of parent	225,187	(33,266)

### Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Six months ended February 28, 2018	Six months ended February 28, 2019
<b>Profit</b>	<b>224,385</b>	<b>(33,266)</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	71,211	41,718
Foreign currency translation adjustment	(74)	(1,043)
Total other comprehensive income	71,136	40,674
<b>Comprehensive income</b>	<b>295,522</b>	<b>7,408</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	296,016	7,408
Comprehensive income attributable to non-controlling interests	(493)	-



### (3) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Six months ended February 28, 2018	Six months ended February 28, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	339,008	(36,865)
Depreciation	80,245	112,969
Impairment loss	13,768	-
Amortization of goodwill	51,416	-
Loss on retirement of non-current assets	792	8,924
Loss (gain) on valuation of investment securities	-	8,676
Increase (decrease) in allowance for doubtful accounts	1,127	29,236
Increase (decrease) in provision for bonuses	6,325	13,287
Interest and dividend income	(1,499)	(1,762)
Interest expenses	420	1,011
Share of (profit) loss of entities accounted for using equity method	(10,405)	(14,029)
Decrease (increase) in notes and accounts receivable - trade	(103,253)	131,260
Decrease (increase) in inventories	(13,565)	(35,283)
Increase (decrease) in notes and accounts payable - trade	(19,008)	(16,656)
Other	14,475	(54,531)
Subtotal	359,849	146,237
Interest and dividend income received	3,910	7,147
Interest expenses paid	(470)	(1,064)
Income taxes paid	(129,875)	(90,166)
<b>Net cash provided by (used in) operating activities</b>	<b>233,413</b>	<b>62,153</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(9,634)	(67,927)
Purchase of intangible assets	(111,152)	(117,406)
Purchase of long-term prepaid expenses	(642)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(10,118)
Other	(7,226)	(6,820)
<b>Net cash provided by (used in) investing activities</b>	<b>(128,654)</b>	<b>(202,272)</b>
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	-	1,000,000
Repayments of short-term loans payable	-	(1,200,000)
Repayments of long-term loans payable	(52,422)	(2,004)
Purchase of treasury shares	(69)	(299,947)
Proceeds from disposal of treasury shares	1,747	91,194
Cash dividends paid	(133,719)	(145,738)
Other	(1,397)	(2,094)
<b>Net cash provided by (used in) financing activities</b>	<b>(185,860)</b>	<b>(558,590)</b>
Effect of exchange rate change on cash and cash equivalents	(139)	(455)
Net increase (decrease) in cash and cash equivalents	(81,241)	(699,164)
Cash and cash equivalents at beginning of period	2,262,804	2,928,218
Cash and cash equivalents at end of period	2,181,563	2,229,054

#### **(4) Notes to Consolidated Financial Statements**

(Notes on the going concern assumption)

Not applicable.

(Significant changes in Shareholders' Equity)

Purchase of treasury shares

In accordance with the resolution of the Board of Directors held on January 16, 2019, the Company acquired 199,800 shares of the Company based on a resolution on the acquisition of the Company's shares. As a result, while the treasury shares increased 299,947 thousand yen during the first half of the fiscal year, the treasury shares became 677,905 thousand yen at the end of the second quarter of the consolidated fiscal year.

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

Tax expenses are calculated by rationally estimating an effective tax rate for profit before income taxes for the fiscal year including the current second quarter of the consolidated fiscal year under review after the application of tax effect accounting and multiplying the profit before income taxes by the estimated effective tax rate.

(Additional information)

(Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The company, effective from the beginning of this first quarter of the consolidated fiscal year, adopted "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) etc. Deferred tax assets are classified as investments and other assets and deferred tax liabilities are classified as non-current liabilities respectively.

(Segment information)

1) Six months ended February 28, 2018 (from September 1, 2017 to February 28, 2018)

Net sales and profit or loss in reportable segments

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	<i>Demae-can</i> business	Mail order business	Segments total		
Sales					
Sales to external customers	1,878,266	690,515	2,568,781	-	2,568,781
Intersegment sales or transfers	-	96,504	96,504	(96,504)	-
Net sales	1,878,266	787,019	2,665,285	(96,054)	2,568,781
Segment profit	365,227	107,469	472,696	(131,662)	341,034
Other items					
Depreciation	74,100	6,145	80,245	-	80,245
Amortization of goodwill	-	51,416	51,416	-	51,416

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

The adjustment of (131,662 thousand yen) in the segment profit includes depreciation expenses of (80,245 thousand yen) and amortization of goodwill of (51,416 thousand yen) for the reporting segments.

2. The total segment profit in each reporting segment and the total value of adjustment are consistent with the operating profit in the consolidated income statement.

Information concerning goodwill or an impairment loss related to non-current assets by reportable segments

(Significant impairment loss related to non-current assets)

As a general rule, the Group controls idle assets individually in each asset category in accordance with the purpose of use for each business segment.

During the six months under review, impairment loss (13,768 thousand yen) was posted in *Demae-can* business segment in relation to the reduction in book value to a recoverable level for idle assets etc. with the decision of Tokyo headquarter office relocation.

The recoverable value of this asset group is based on the value of use for the assets.

2) Six months ended February 28, 2019 (from September 1, 2018 to February 28, 2019)

Net sales and profit or loss in reportable segments

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	<i>Demae-can</i> business	Mail order business	Segments total		
Sales					
Sales to external customers	2,462,440	657,140	3,119,580	-	3,119,580
Intersegment sales or transfers	-	119,974	119,974	(119,974)	-
Net sales	2,462,440	777,114	3,239,555	(119,974)	3,119,580
Segment profit	(32,988)	105,796	72,807	(112,969)	(40,161)
Other items					
Depreciation	104,836	8,133	112,969	-	112,969
Amortization of goodwill	-	-	-	-	-

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

The adjustment of (112,969 thousand yen) in the segment profit is depreciation expenses for the reporting segments.

2. The total segment profit in each reporting segment and the total value of adjustment are consistent with the operating profit in the consolidated income statement.