

Consolidated Financial Results for the Nine Months Ended May 31, 2019

Name of Company	Yume no Machi Souzou Iinkai Co., Ltd.
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
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- 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 Nine Months Ended May 31, 2019

(1) Operating results

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

	Nine months ended			
	May 31, 2018		May 31, 2019	
		%		%
Net sales (Millions of yen)	4,004	5.1	4,847	21.0
Operating profit (Millions of yen)	560	(11.2)	23	(95.7)
Ordinary profit (Millions of yen)	581	(7.1)	55	(90.5)
Profit attributable to owners of parent (Millions of yen)	388	3.1	(6)	-
Profit per share (Yen):				
Basic	9.60		(0.16)	
Diluted	9.42		-	
Comprehensive income:	Year ended May 31, 2019: (0 million yen), -			
	Year ended May 31, 2018: 462 million yen, 20.1%			

(2) Financial position

	As of	
	August 31, 2018	May 31, 2019
Total assets (Millions of yen)	6,502	5,993
Total net assets (Millions of yen)	3,268	2,934
Equity ratio (%)	50.1	48.6
Equity:	2,913 million yen (as of May 31, 2019)	
	3,255 million yen (as of August 31, 2018)	

2. Dividends

	Year ended August 31, 2018 (Actual)	Year ending August 31, 2019 (Actual)	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: No

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: No

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 9 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 May 31, 2019:	44,390,400 shares
As of August 31, 2018:	44,390,400 shares
 2. Number of shares of treasury shares

As of May 31, 2019:	3,489,074 shares
As of August 31, 2018:	3,883,274 shares
 3. Average number of shares outstanding

As of May 31, 2019:	40,769,043 shares
As of May 31, 2018:	40,495,222 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 4 for further details.

1. Qualitative Information Regarding Financial Statements

(1) Explanation of Operating Results

During the third quarter under review (from September 1, 2018 to May 31, 2019), the Group carried out a range of measures for our basic policy of building a robust business foundation for the *Demae-can* business.

Regarding product improvement, which is one of its major initiatives, the Group instituted a full renewal of the app on March 28, 2019. There were some initial problems, but the renewed design, improved operability, and added new functions, etc. enabled customers to order more easily and smoothly. With regard to accelerating the development of the *Sharing Delivery* business, the service area continued to expand steadily as the Group entered Hokkaido in April 2019. As a result, the number of delivery locations totaled 161 as of the end of May 2019. During the third quarter of the fiscal year under review, major chains such as “Sushiro” and popular local restaurants joined.

In addition, to streamline operations, on March 13, 2019 the Company launched “shotworks delivery with *Demae-can*,” a new service to help resolve staff shortages at affiliated stores and delivery locations. Consequently, net sales for the third quarter of the fiscal year under review increased by 21.0% year on year, to 4,847,287 thousand yen, but aggressive business development and investment resulted in operating profit of 23,966 thousand yen (a decrease of 95.7% year on year), ordinary profit of 55,194 thousand yen (a decrease of 90.5% year on year), and a loss attributable to owners of parent of 6,558 thousand yen (profit attributable to owners of parent of 388,748 thousand yen in the same period last year).

(Thousands of yen)

Category	Nine months ended May 31, 2018		Nine months ended May 31, 2019		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Basic operation fee	300,728	7.5	353,234	7.3	52,505	17.5
Order commissions	1,918,459	47.9	2,376,919	49.0	458,460	23.9
Advertising revenue	11,356	0.3	21,232	0.4	9,876	87.0
Entrusted system development revenue	53,439	1.3	42,806	0.9	(10,633)	(19.9)
Other transactions	693,981	17.4	1,072,777	22.2	378,796	54.6
Sub-total	2,977,964	74.4	3,866,970	79.8	889,005	29.9
Mail order business	1,026,889	25.6	980,317	20.2	(46,571)	(4.5)
Total	4,004,853	100.0	4,847,287	100.0	842,434	21.0

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 2.90 million (up 10.7% year on year), the number of affiliated stores was 19,452 (up 18.3% year on year) and the number of orders placed was approximately 20.90 million (up 23.0% year on year) at the third quarter of the current fiscal year. As a result, net sales in the *Demae-can* business segment came to 3,866,970 thousand yen (up 29.9% year on year) for the current fiscal year, included 353,234 thousand yen for basic operation fee, 2,376,919 thousand yen for order commissions, 21,232 thousand yen for advertising revenue, 42,806 thousand yen for entrusted system development revenue and 1,072,777 thousand yen for other transactions.

(Mail Order Business)

In the Mail Order business segment, net sales came to 980,317 thousand yen (down 4.5% year on year) by the mail order sales of Shochu etc. to the restaurants all over Japan.

(2) Qualitative Information on Consolidated Financial Conditions

Analysis of Assets, Liabilities and Net Assets

Current assets at the end of the third quarter under review amounted to 4,509,898 thousand yen, a decrease of 760,060 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included decreases of 1,074,589 thousand yen in cash and deposits and 143,119 thousand yen in notes and accounts receivable-trade, which offset increases of 432,211 thousand yen in accounts receivable-other and 50,660 thousand yen in other.

Non-current assets at the end of the third quarter under review amounted to 1,484,016 thousand yen, an increase of 251,817 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included increases of 155,744 thousand yen in software in progress, 52,229 thousand yen in property, plant, and equipment, and 28,841 thousand yen in investment securities.

As a result, total assets at the end of the third quarter under review amounted to 5,993,914 thousand yen, a decrease of 508,242 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the third quarter under review amounted to 3,031,878 thousand yen, a decrease of 132,758 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included decreases of 500,000 thousand yen in short-term loans payable and 80,321 thousand yen in income taxes payable, which offset an increase of 469,112 thousand yen in accounts payable-other.

Non-current liabilities at the end of the third quarter under review amounted to 27,920 thousand yen, a decrease of 40,671 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included an increase of 37,665 thousand yen in other, which offset a decrease of 3,006 thousand yen in long-term loans payable.

Net assets at the end of the third quarter under review amounted to 2,934,116 thousand yen, a decrease of 334,812 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a 6,558 thousand yen loss attributable to owners of parent, disposal of treasury shares of 90,555 thousand yen and dividends of surplus of 145,825 thousand yen, offsetting purchase of treasury shares of 299,947 thousand yen.

(3) Future Forecast

There are no changes in the consolidated financial forecast for the fiscal year ending August 31, 2019 from the forecasts released in the “Consolidated financial results for the six months ended February 28, 2019” announced 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 May 31, 2019
Assets		
Current assets		
Cash and deposits	2,928,218	1,853,629
Notes and accounts receivable—trade	350,154	207,034
Merchandise and finished goods	61,238	66,702
Accounts receivable-other	1,864,879	2,297,091
Other	69,364	120,024
Allowance for doubtful accounts	(3,897)	(34,584)
Total current assets	<u>5,269,958</u>	<u>4,509,898</u>
Non-current assets		
Property, plant, and equipment	122,855	175,084
Intangible assets		
Software	588,166	593,337
Software in progress	16,015	171,759
Other	138	138
Total intangible assets	<u>604,320</u>	<u>765,235</u>
Investments and other assets		
Investment securities	348,380	377,222
Guarantee deposits	114,590	118,721
Deferred tax assets	13,865	13,865
Other	28,431	34,659
Allowance for doubtful accounts	(244)	(772)
Total investments and other assets	<u>505,023</u>	<u>543,696</u>
Total non-current assets	<u>1,232,199</u>	<u>1,484,016</u>
Total assets	<u>6,502,157</u>	<u>5,993,914</u>

(Thousands of yen)

	As of August 31, 2018	As of May 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	98,960	97,048
Short-term loans payable	800,000	300,000
Current portion of long-term loans payable	4,008	4,008
Accounts payable - other	1,985,520	2,454,633
Income taxes payable	110,232	29,910
Provision for bonuses	32,662	37,133
Other	133,252	109,143
Total current liabilities	<u>3,164,636</u>	<u>3,031,878</u>
Non-current liabilities		
Long-term loans payable	3,634	628
Other	64,957	27,292
Total non-current liabilities	<u>68,591</u>	<u>27,920</u>
Total liabilities	<u>3,233,227</u>	<u>3,059,798</u>
Net assets		
Shareholders' equity		
Capital stock	1,113,300	1,113,300
Capital surplus	637,340	652,228
Retained earnings	1,813,455	1,659,228
Treasury shares	(466,962)	(676,354)
Total shareholders' equity	<u>3,097,134</u>	<u>2,748,275</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	157,641	164,776
Foreign currency translation adjustment	1,043	-
Total valuation and translation adjustments	<u>158,685</u>	<u>164,776</u>
Subscription rights to shares	<u>6,637</u>	<u>21,064</u>
Non-controlling interests	<u>6,472</u>	<u>-</u>
Total net assets	<u>3,268,929</u>	<u>2,934,116</u>
Total liabilities and net assets	<u>6,502,157</u>	<u>5,993,914</u>

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Nine months ended May 31, 2018	Nine months ended May 31, 2019
Net sales	4,004,853	4,847,287
Cost of sales	1,478,441	1,878,032
Gross profit	2,526,411	2,969,254
Selling, general and administrative expenses	1,965,973	2,945,288
Operating profit	560,438	23,966
Non-operating income		
Interest income	38	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	19,081	24,613
Other	2,141	2,082
Total non-operating income	22,727	33,463
Non-operating expenses		
Interest expenses	506	1,521
Foreign exchange losses	-	455
Other	799	257
Total non-operating expenses	1,305	2,235
Ordinary profit	581,859	55,194
Extraordinary income		
Gain on sales of non-current assets	4,416	3
Gain on sales of investment securities	0	-
Total extraordinary income	4,417	3
Extraordinary losses		
Loss on retirement of non-current assets	782	8,924
Impairment loss	11,824	-
Loss on sales of shares of subsidiaries and associates	-	8,676
Total extraordinary losses	12,606	17,600
Profit before income taxes	573,670	37,597
Income taxes	185,477	44,156
Profit	388,192	(6,558)
Profit (loss) attributable to non-controlling interests	(556)	-
Profit attributable to owners of parent	388,748	(6,558)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Nine months ended May 31, 2018	Nine months ended May 31, 2019
Profit	388,192	(6,558)
Other comprehensive income		
Valuation difference on available-for-sale securities	76,956	7,135
Foreign currency translation adjustment	(2,156)	(1,043)
Total other comprehensive income	74,799	6,091
Comprehensive income	462,992	(467)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	463,833	(467)
Comprehensive income attributable to non-controlling interests	(841)	-

(3) 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 676,354 thousand yen at the end of the third 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 third 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) Nine months ended May 31, 2018 (from September 1, 2017 to May 31, 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	2,977,964	1,026,889	4,004,853	-	4,004,853
Intersegment sales or transfers	-	147,026	147,026	(147,026)	-
Net sales	2,977,964	1,173,915	4,151,879	(147,026)	4,004,853
Segment profit	591,394	163,577	754,972	(194,533)	560,438
Other items					
Depreciation	116,004	9,973	125,978	-	125,978
Amortization of goodwill	-	68,555	68,555	-	68,555

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

The adjustment of (194,533 thousand yen) in the segment profit includes depreciation expenses of (125,978 thousand yen) and amortization of goodwill of (68,555 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 third quarter under review, impairment loss (11,824 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) Nine months ended May 31, 2019 (from September 1, 2018 to May 31, 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	3,866,970	980,317	4,847,287	-	4,847,287
Intersegment sales or transfers	-	189,670	189,670	(189,670)	-
Net sales	3,866,970	1,169,988	5,036,958	(189,670)	4,848,287
Segment profit	30,563	170,128	200,692	(176,725)	23,966
Other items					
Depreciation	164,527	12,198	176,725	-	176,725
Amortization of goodwill	-	-	-	-	-

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

The adjustment of (176,725 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.