

Consolidated Financial Results for the Nine Months Ended May 31, 2021

Name of Company	Demaecan Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	https://corporate.demaecan.com/en/
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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 Nine Months Ended May 31, 2021

(1) Operating results

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

	Year ended			
	May 31, 2020		May 31, 2021	
		%		%
Net sales (Millions of yen)	6,822	40.8	18,493	171.0
Operating profit (Millions of yen)	(1,608)	-	(12,907)	-
Ordinary profit (Millions of yen)	(1,917)	-	(12,889)	-
Profit attributable to owners of parent (Millions of yen)	(1,877)	-	(14,734)	-
Profit per share (Yen):				
Basic	(40.15)		(179.22)	
Diluted	-		-	
Comprehensive income:	Year ended May 31, 2021: (14,752) million yen, -		Year ended May 31, 2020: (1,994) million yen, -	

(2) Financial position

	As of	
	August 31, 2020	May 31, 2021
Total assets (Millions of yen)	35,985	25,738
Total net assets (Millions of yen)	28,479	13,927
Equity ratio (%)	79.1	53.3
Equity:	13,725 million yen (as of May 31, 2021)	
	28,477 million yen (as of August 31, 2020)	

2. Dividends

	Year ended August 31, 2020	Year ending August 31, 2021
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	0.00	0.00
3Q-end dividends per share (Yen)	-	-
Year-end dividends per share (Yen)	0.00	
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, 2021 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, 2021

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

	Year ending August 31, 2021	
		%
Net sales (Millions of yen)	29,000	181.4
Operating profit (Millions of yen)	(19,000)	-
Ordinary profit (Millions of yen)	(19,000)	-
Profit attributable to owners of parent (Millions of yen)	(21,500)	-
Profit per share (Yen)	(261.49)	

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

4. Notes

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

(Change of name of consolidated subsidiary)

Satsuma Ebisudo Co., Ltd., the consolidated subsidiary of the Company, was renamed Demae-can communications Co., Ltd. as of May 1, 2021, in the third quarter of the fiscal year under review.

(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: 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, 2021: 85,486,500 shares

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

2. Number of shares of treasury shares

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

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

3. Average number of shares outstanding

As of May 31, 2021: 82,217,228 shares

As of May 31, 2020: 46,771,404 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.

- The Company plans to hold an earnings release conference for institutional investors and analysts on June 25, 2021 (Friday). Supplementary presentation materials to be handed out at the conference will be posted simultaneously on the Company's website.

1. Summary of Operating Results and Financial Position

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

During the nine months ended of the fiscal year under review (September 1, 2020 to May 31, 2021), the Group accelerated its initiatives to expand the Demae-can business to actualize our vision, “Food delivery is a routine part of life.”

A state of emergency and quasi-emergency coronavirus measures have been in effect in many regions amid the ever increasing COVID-19 cases, and restaurants continue to face a harsh business environment due in part to the government’s request to reduce indoor dining business hours.

In this environment, the Company actively expanded its coverage area of *Sharing Delivery* so that more restaurants are able to join its platform and utilize its service. In the third quarter, the Company began providing the service in Yamagata, Gifu, Akita, Tottori, and Shimane prefectures. As a result, coverage of the Company’s service had been expanded to 44 prefectures by the end of May 2021, and now it covers approximately half of all households across Japan.

The Company executed various initiatives including TV commercials to recruit more delivery drivers to meet the rapidly growing demand for food delivery, which boosted the number of drivers approximately seven times year-over-year. Merchant acquisition also accelerated as the *Sharing Delivery* service expanded, and the number of *Sharing Delivery* merchants increased approximately 6.6 times year-over-year. In addition to expanding its merchant base, the Company put greater efforts in providing consultation service to increase the sales of merchants by opening branch offices in major cities throughout the country.

The Company continued to employ various promotional measures including branding through TV commercials and campaigns with LINE stickers, which successfully increase its user base.

Consequently, consolidated net sales for the nine months of the current fiscal year under review increased by 171.0% year on year, to 18,493,570 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 12,907,076 thousand yen (operating loss of 1,608,869 thousand yen in the previous fiscal year), ordinary loss of 12,889,760 thousand yen (ordinary loss of 1,917,539 thousand yen in the previous fiscal year) and loss attributable to owners of parent of 14,734,930 thousand yen (loss attributable to owners of parent of 1,877,768 thousand yen in the previous fiscal year).

(Thousands of yen)

Category	Nine months ended May 31, 2020		Nine months ended May 31, 2021		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Demae-can service fees	3,796,142	55.6	7,597,955	41.1	3,801,812	100.1
Delivery commissions	1,301,914	19.1	9,349,983	50.6	8,048,068	618.2
Other transactions	976,787	14.3	1,090,209	5.9	113,421	11.6
Sub-total	6,074,845	89.0	18,038,148	97.5	11,963,303	196.9
Mail order business	748,112	11.0	455,421	2.5	(292,690)	(39.1)
Total	6,822,957	100.0	18,493,570	100.0	11,670,613	171.0

The business results for each segment are described below:

(*Demae-can* Business)

In the *Demae-can* business segment, GMV at the end of the third quarter of the current fiscal year increased significantly by 113.8 billion yen (up 58% year on year). In addition, the number of active users was 6.52 million (up 76% year on year), the number of affiliated stores was 74 thousand (up 207% year on year), and the household coverage rate of *Sharing Delivery* was 49%. The expansion was faster than the initial forecast.

As a result, net sales in the Demae-can business segment came to 18,038,148 thousand yen (up 196.9% year on year) for the current fiscal year under review, including 7,597,955 thousand yen as Demae-can service fees, 9,349,983 thousand yen as delivery commissions and 1,090,209 thousand yen from other transactions.

(Mail Order Business)

In the Mail Order business segment which sells shochu and other products to restaurants by mail order, was affected by the shorter opening hours of restaurants due to the spread of the coronavirus. As a result, net sales in the Mail Order business segment came to 455,421 thousand yen (down 39.1% year on year) for the current fiscal year under review.

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

Current assets at the end of the third quarter under review amounted to 25,454,021 thousand yen, a decrease of 10,126,230 thousand yen from the end of the previous fiscal year. This decrease was attributable to a decrease of 13,388,152 thousand yen in cash and deposits, despite an increase of 2,845,564 thousand yen in account receivable-other, 292,499 thousand yen in other current assets and an 160,804 thousand yen in notes and accounts receivable-trade.

Non-current assets at the end of the third quarter under review amounted to 284,369 thousand yen, a decrease of 121,171 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 77,790 thousand yen in guarantee deposits, 36,991 thousand yen in other investments and other assets, 3,789 thousand yen in property, plant, and equipment and 1,969 thousand yen in software.

As a result, total assets at the end of the third quarter under review amounted to 25,738,390 thousand yen, a decrease of 10,247,401 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the third quarter under review amounted to 11,766,660 thousand yen, an increase of 4,304,969 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 4,478,399 thousand yen in accounts payable-other and 20,152 thousand yen in other current liabilities, which offset a decrease of 171,241 thousand yen in income taxes payable and 23,097 thousand yen in notes and accounts payable-trade.

Non-current liabilities at the end of the third quarter under review amounted to 44,123 thousand yen, a decrease of 257 thousand yen. Key factors contributing to this decrease included a decrease of 257 thousand yen in other non-current liabilities.

As a result, total liabilities at the end of the third quarter under review amounted to 11,810,783 thousand yen, an increase of 4,304,711 thousand yen from the end of the previous fiscal year.

Net assets at the end of the third quarter under review amounted to 13,927,607 thousand yen, a decrease of 14,552,113 thousand yen from the end of the previous fiscal year. The main factors of this decrease include a decrease of 2,664,104 thousand yen in capital surplus due to deficit disposition, a decrease of 12,070,612 thousand yen in retained earnings as a result of posting 14,734,930 thousand yen of a loss attributable to owners of parent which off-set an increase due to deficit disposition. In addition, an increase of 199,541 thousand yen in share acquisition rights resulting from the issuance of stock options for directors and employees, and posting of 17,712 thousand yen in reversal of valuation difference on available-for-sale securities.

(3) Future Forecast

The Company has revised its full-year consolidated financial forecasts for the fiscal year ending August 31, 2021, announced in the report, "Consolidated Financial Results for the Year Ended August 31, 2020," dated October 15, 2020, taking into account the recent trends in its financial performance. For details, refer to the separate announcement, "Notice of Revision to Consolidated Financial Forecast" dated June 25, 2021.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2020	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	28,966,185	15,578,032
Notes and accounts receivable—trade	134,904	295,708
Merchandise and finished goods	47,175	62,293
Accounts receivable-other	6,375,530	9,221,094
Other	128,830	421,329
Allowance for doubtful accounts	(72,374)	(124,438)
Total current assets	<u>35,580,251</u>	<u>25,454,021</u>
Non-current assets		
Property, plant, and equipment	51,460	47,670
Intangible assets		
Software	9,441	7,472
Other	138	138
Total intangible assets	<u>9,580</u>	<u>7,611</u>
Investments and other assets		
Investment securities	182,722	181,942
Guarantee deposits	111,275	33,485
Deferred tax assets	13,277	13,277
Other	38,790	1,798
Allowance for doubtful accounts	(1,567)	(1,416)
Total investments and other assets	<u>344,499</u>	<u>229,087</u>
Total non-current assets	<u>405,540</u>	<u>284,369</u>
Total assets	<u>35,985,792</u>	<u>25,738,390</u>

	(Thousands of yen)	
	As of August 31, 2020	As of May 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	54,026	30,929
Accounts payable - other	6,867,242	11,345,641
Income taxes payable	201,259	30,018
Provision for bonuses	82,184	82,940
Other	256,978	277,130
Total current liabilities	7,461,691	11,766,660
Non-current liabilities		
Other	44,380	44,123
Total non-current liabilities	44,380	44,123
Total liabilities	7,506,071	11,810,783
Net assets		
Shareholders' equity		
Share capital	16,113,422	16,113,422
Capital surplus	15,645,037	12,980,932
Retained earnings	(2,697,306)	(14,767,919)
Treasury shares	(634,095)	(633,319)
Total shareholders' equity	28,427,058	13,693,116
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,197	32,485
Total accumulated other comprehensive income	50,197	32,485
share acquisition rights	2,464	202,006
Total net assets	28,479,720	13,927,607
Total liabilities and net assets	35,985,792	25,738,390

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Nine months ended May 31, 2020	Nine months ended May 31, 2021
Net sales	6,822,957	18,493,570
Cost of sales	2,067,198	9,555,178
Gross profit	4,755,759	8,938,392
Selling, general and administrative expenses	6,364,628	21,845,469
Operating profit	(1,608,869)	(12,907,076)
Non-operating income		
Interest income	11	143
Dividend income	1,953	826
Share of profit of entities accounted for using equity method	16,911	28,508
Subsidy income	-	10,314
Other	2,301	5,378
Total non-operating income	21,177	45,171
Non-operating expenses		
Interest expenses	1,751	452
Loss on cancellation of insurance policies	-	11,048
Foreign exchange losses	2	-
Share issuance cost	326,480	-
Other	1,612	16,354
Total non-operating expenses	329,847	27,855
Ordinary profit	(1,917,539)	(12,889,760)
Extraordinary income		
Gain on sales of non-current assets	-	8
Gain on sales of investment securities	100,039	68
Total extraordinary income	100,039	76
Extraordinary losses		
Loss on retirement of non-current assets	95	69
Impairment loss	-	1,680,624
Retirement benefits for directors	-	100,000
Other	-	7,445
Total extraordinary losses	95	1,788,140
Profit before income taxes	(1,817,596)	(14,677,823)
Income taxes	60,171	57,106
Loss	(1,877,768)	(14,734,930)
Loss attributable to owners of parent	(1,877,768)	(14,734,930)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Nine months ended May 31, 2020	Nine months ended May 31, 2021
Profit	(1,877,768)	(14,734,930)
Other comprehensive income		
Valuation difference on available-for-sale securities	(116,260)	(17,712)
Total other comprehensive income	(116,260)	(17,712)
Comprehensive income	(1,994,028)	(14,752,642)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,994,028)	(14,752,642)
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Significant changes in Shareholders' Equity)

By a resolution passed at the 21st annual shareholders' meeting held on November 26, 2020, the Company reduced its legal capital surplus by 2,664,317 thousand yen and transferred the amount to other capital surplus under Article 448, Paragraph 1 of the Companies Act and reduced other capital surplus by 2,664,317 thousand yen and transferred the amount to retained earnings carried forward under Article 452 of the Companies Act to reduce the deficit.

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

Tax expenses are calculated by multiplying profit before income taxes by the effective tax rate that is reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year including the first quarter under review. However, if the calculation of tax expenses using the estimated effective tax rate leads to significantly unreasonable results, the recoverability of deferred tax assets is factored into the profit before income taxes or loss before income taxes multiplied by the statutory effective tax rate.

(Additional information)

There are no significant changes to the assumptions including the future spread and ending time of COVID-19 described in “(Additional information) (Accounting estimates for the spread of new coronavirus infections)” in the securities report for the previous fiscal year.

(Segment information)

1) Net sales and profit or loss in reportable segments

Nine months ended May 31, 2020 (from September 1, 2019 to May 31, 2020)

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Sales to external customers	6,074,845	748,112	6,822,957	-	6,822,957
Intersegment sales or transfers	61	252,513	252,575	(252,575)	-
Net sales	6,074,906	1,000,625	7,075,532	(252,575)	6,822,957
Segment profit / loss	(1,486,325)	111,307	(1,375,018)	(233,850)	(1,608,869)
Other items					
Depreciation	221,709	12,141	233,850	-	233,850

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

The adjustment of (233,850) 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

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

Nine months ended May 31, 2021 (from September 1, 2020 to May 31, 2021)

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Sales to external customers	18,038,148	455,421	18,493,570	-	18,493,570
Intersegment sales or transfers	18	539,560	539,579	(539,579)	-
Net sales	18,038,167	994,982	19,033,149	(539,579)	18,493,570
Segment profit / loss	(12,916,931)	61,653	(12,855,278)	(51,798)	(12,907,076)
Other items					
Depreciation	40,212	11,586	51,798	-	51,798

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

The adjustment of (51,798) 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

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

2) Information on impairment loss in non-current assets and goodwill by reportable segment.
(Important impairment loss on non-current assets)

An impairment loss was recorded for non-current assets acquired in the Demae-can business during the nine months under review. The impairment loss recorded in the first half under review was 1,680,624 thousand yen.