

Consolidated Financial Results for the Three Months Ended November 30, 2018

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 Three Months Ended November 30, 2018

(1) Operating results

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

	Three months ended			
	November 30, 2017		November 30, 2018	
		%		%
Net sales (Millions of yen)	1,206	(0.3)	1,433	18.8
Operating profit (Millions of yen)	205	(2.5)	102	(50.1)
Ordinary profit (Millions of yen)	210	0.9	111	(46.8)
Profit attributable to owners of parent (Millions of yen)	141	18.7	91	(35.4)
Profit per share (Yen):				
Basic	3.50		2.25	
Diluted	3.44		2.21	
Comprehensive income:	Year ended November 30, 2018: 166 million yen, (2.6%)			
	Year ended November 30, 2017: 171 million yen, 34.3%			

(2) Financial position

	As of	
	August 31, 2018	November 30, 2018
Total assets (Millions of yen)	6,502	6,404
Total net assets (Millions of yen)	3,268	3,289
Equity ratio (%)	50.1	51.3
Equity:	3,284 million yen (as of November 30, 2018)	
	3,255 million yen (as of August 31, 2018)	

2. Dividends

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

- Note: Revision to the dividends forecasts most recently announced: None
The forecast dividends for the fiscal year ending August 31, 2019 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, 2019

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

	Year ending August 31, 2019	
		%
Net sales (Millions of yen)	7,681	41.4
Operating profit (Millions of yen)	100	(88.1)
Ordinary profit (Millions of yen)	117	(86.2)
Profit attributable to owners of parent (Millions of yen)	79	(85.8)
Profit per share (Yen)	1.96	

Note: Revision to the financial forecasts most recently announced: 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: 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 November 30, 2018: 44,390,400 shares
 - As of August 31, 2018: 44,390,400 shares
 2. Number of shares of treasury shares
 - As of November 30, 2018: 3,609,674 shares
 - As of August 31, 2018: 3,883,274 shares
 3. Average number of shares outstanding
 - As of November 30, 2018: 40,623,038 shares
 - As of November 30, 2017: 40,491,138 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 first quarter under review (from September 1, 2018 to November 30, 2018), the Group carried out a range of measures for our basic policy of building a robust business foundation for the *Demae-can* business.

As for the acceleration of the development of our main strategy, *Sharing Delivery* business, major popular chains including “*Kappa Zushi*,” which does not provide its own delivery service and local popular stores became affiliated with *Demae-can*. Moreover, the Group began operating *Sharing Delivery* in northern Kanto in November 2018 and also started the operation of delivery locations working with Japan Best Rescue System Co., Ltd. (TSE: 2453) as a new collaborative partner. As a result, the total number of delivery locations totaled 78 at the end of November 2018.

In addition, the Group launched a response to *Amazon Alexa* in October 2018, which enabled voice-based delivery order via *Amazon Echo*, etc.

Meanwhile, PT Klik Eat Indonesia, a subsidiary, was excluded from the scope of consolidation due to the sale of part of its shares during the first quarter under review, and 15,667 thousand yen was posted as a gain on sales of shares of subsidiaries and associates.

Consequently, the consolidated results for the three months of the current fiscal year were net sales of 1,433,572 thousand yen (up 18.8% year on year), operating profit of 102,791 thousand yen (down 50.1% year on year), ordinary profit of 111,964 thousand yen (down 46.8% year on year) and profit attributable to owners of parent of 91,524 thousand yen (down 35.4% year on year).

(Thousands of yen)

Category	Three months ended November 30, 2017		Three months ended November 30, 2018		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Basic operation fee	91,365	7.6	114,311	8.0	22,945	25.1
Order commissions	562,768	46.6	703,051	49.0	140,283	24.9
Advertising revenue	4,879	0.4	4,287	0.3	(592)	(12.1)
Other transactions	199,892	16.6	294,993	20.6	95,100	47.6
Sub-total	858,906	71.2	1,116,643	77.9	257,737	30.0
Mail order business	347,962	28.8	316,928	22.1	(31,034)	(8.9)
Total	1,206,868	100.0	1,433,572	100.0	226,703	18.8

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 2.74 million (up 11.6% year on year), the number of affiliated stores was 17,834 (up 13.5% year on year) and the number of orders placed was approximately 6.28 million (up 23.6% 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 1,116,643 thousand yen (up 30.0% year on year) for the current fiscal year, included 114,311 thousand yen for basic operation fee, 703,051 thousand yen for order commissions, 4,287 thousand yen for advertising revenue and 294,993 thousand yen for other transactions.

(Mail Order Business)

In the Mail Order business segment, net sales came to 316,928 thousand yen (down 8.9% year on year) by the mail order sales of Shochu etc. to the restaurants all over Japan.

(2) Qualitative Information on Consolidated Financial Conditions

Current assets at the end of the first quarter under review amounted to 5,059,568 thousand yen, a decrease of 210,390 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 408,909 thousand yen in cash and deposits, which offset an increase of 242,677 thousand yen in accounts receivable-other.

Non-current assets at the end of the first quarter under review amounted to 1,344,479 thousand yen, an increase of 112,280 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 108,860 thousand yen in investment securities, 7,266 thousand yen in software in progress, which offset a decrease of 1,771 thousand yen in software.

As a result, total assets at the end of the first quarter under review amounted to 6,404,048 thousand yen, a decrease of 98,109 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the first quarter under review amounted to 3,012,966 thousand yen, a decrease of 151,670 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 500,000 thousand yen in short-term loan payable and 70,189 thousand yen in income tax payable, which offset an increase of 416,043 thousand yen in accounts payable-other.

Non-current liabilities at the end of the first quarter under review amounted to 102,006 thousand yen, a increase of 33,415 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 34,417 thousand yen in other non-current liabilities, which offset a decrease of 1,002 thousand yen in long-term loans payable.

As a result, total liabilities at the end of the first quarter under review amounted to 3,114,973 thousand yen, a decrease of 118,254 thousand yen from the end of the previous fiscal year.

Net assets at the end of the first quarter under review amounted to 3,289,074 thousand yen, an increase of 20,145 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 91,524 thousand yen in profit attributable to owners of parent and 76,470 thousand yen in valuation difference on available-for-sale securities, which offset a decrease of 145,825 thousand yen in dividends of surplus.

(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 year ended August 31, 2018” announced on October 11, 2018.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	2,928,218	2,519,309
Notes and accounts receivable—trade	350,154	321,643
Merchandise and finished goods	61,238	69,148
Accounts receivable-other	1,864,879	2,107,557
Other	69,364	48,722
Allowance for doubtful accounts	(3,897)	(6,812)
Total current assets	<u>5,269,958</u>	<u>5,059,568</u>
Non-current assets		
Property, plant, and equipment	122,855	121,306
Intangible assets		
Software	588,166	586,395
Software in progress	16,015	23,281
Other	138	138
Total intangible assets	<u>604,320</u>	<u>609,815</u>
Investments and other assets		
Investment securities	348,380	457,240
Guarantee deposits	114,590	114,265
Deferred tax assets	13,865	13,865
Other	28,431	28,722
Allowance for doubtful accounts	(244)	(736)
Total investments and other assets	<u>505,023</u>	<u>613,357</u>
Total non-current assets	<u>1,232,199</u>	<u>1,344,479</u>
Total assets	<u>6,502,157</u>	<u>6,404,048</u>

(Thousands of yen)

	As of August 31, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	98,960	118,761
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	2,401,564
Income taxes payable	110,232	40,042
Provision for bonuses	32,662	22,974
Other	133,252	125,614
Total current liabilities	3,164,636	3,012,966
Non-current liabilities		
Long-term loans payable	3,634	2,632
Other	64,957	99,374
Total non-current liabilities	68,591	102,006
Total liabilities	3,233,227	3,114,973
Net assets		
Shareholders' equity		
Capital stock	1,113,300	1,113,300
Capital surplus	637,340	638,330
Retained earnings	1,813,455	1,732,840
Treasury shares	(466,962)	(434,062)
Total shareholders' equity	3,097,134	3,050,409
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	157,641	234,112
Foreign currency translation adjustment	1,043	-
Total valuation and translation adjustments	158,685	234,112
Subscription rights to shares	6,637	4,553
Non-controlling interests	6,472	-
Total net assets	3,268,929	3,289,074
Total liabilities and net assets	6,502,157	6,404,048

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Three months ended November 30, 2017	Three months ended November 30, 2018
Net sales	1,206,868	1,433,572
Cost of sales	437,385	545,212
Gross profit	769,483	888,359
Selling, general and administrative expenses	563,572	785,568
Operating profit	205,911	102,791
Non-operating income		
Interest income	16	39
Reversal of allowance for doubtful accounts	-	5,005
Share of profit of entities accounted for using equity method	3,789	4,754
Other	1,065	420
Total non-operating income	4,871	10,219
Non-operating expenses		
Interest expenses	254	563
Foreign exchange losses	12	455
Other	32	28
Total non-operating expenses	299	1,046
Ordinary profit	210,482	111,964
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	15,667
Total extraordinary income	-	15,667
Extraordinary losses		
Loss on retirement of non-current assets	547	-
Total extraordinary losses	547	-
Profit before income taxes	209,935	127,631
Income taxes	68,707	36,106
Profit	141,228	91,524
Profit (loss) attributable to non-controlling interests	(557)	-
Profit attributable to owners of parent	141,786	91,524

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Three months ended November 30, 2017	Three months ended November 30, 2018
Profit	141,228	91,524
Other comprehensive income		
Valuation difference on available-for-sale securities	30,153	76,470
Foreign currency translation adjustment	(15)	(1,043)
Total other comprehensive income	30,138	75,426
Comprehensive income	171,366	166,951
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	172,506	166,951
Comprehensive income attributable to non-controlling interests	(1,139)	-

(3) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Significant changes in Shareholders' Equity)

Not applicable.

(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 first 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) Three months ended November 30, 2017 (from September 1, 2017 to November 30, 2017)

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	858,906	347,962	1,206,868	-	1,206,868
Intersegment sales or transfers	-	44,989	44,989	(44,989)	-
Net sales	858,906	392,951	1,251,857	(44,989)	1,206,868
Segment profit	221,620	48,748	270,368	(64,457)	205,911
Other items					
Depreciation	35,800	2,948	38,748	-	38,748
Amortization of goodwill	-	25,708	25,708	-	25,708

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

The adjustment of (64,457 thousand yen) in the segment profit includes depreciation expenses of (38,748 thousand yen) and amortization of goodwill of (25,708 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.

2) Three months ended November 30, 2018 (from September 1, 2018 to November 30, 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	1,116,643	316,928	1,433,572	-	1,433,572
Intersegment sales or transfers	-	53,598	53,598	(53,598)	-
Net sales	1,116,643	370,526	1,487,170	(53,598)	1,433,572
Segment profit	113,880	42,075	155,955	(53,164)	102,791
Other items					
Depreciation	49,153	4,011	53,164	-	53,164
Amortization of goodwill	-	-	-	-	-

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

The adjustment of (53,164 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.