

## Consolidated Financial Results for the Nine Months Ended May 31, 2020

Name of Company	Demae-can Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	<a href="https://corporate.demae-can.com/en/">https://corporate.demae-can.com/en/</a>
Representative	Hideo Fujii, President & CEO
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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, 2020

#### (1) Operating results

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

	Nine months ended			
	May 31, 2019		May 31, 2020	
		%		%
Net sales (Millions of yen)	4,847	21.0	6,822	40.8
Operating profit (Millions of yen)	23	(95.7)	(1,608)	-
Ordinary profit (Millions of yen)	55	(90.5)	(1,917)	-
Profit attributable to owners of parent (Millions of yen)	(6)	-	(1,877)	-
Profit per share (Yen):				
Basic	(0.16)		(40.15)	
Diluted	-		-	
Comprehensive income:	Year ended May 31, 2020: (1,994) million yen, -			
	Year ended May 31, 2019: (0) million yen, -			

#### (2) Financial position

	As of	
	August 31, 2019	May 31, 2020
Total assets (Millions of yen)	7,084	39,217
Total net assets (Millions of yen)	2,839	30,709
Equity ratio (%)	39.8	78.3
Equity:	30,707 million yen (as of May 31, 2020)	
	2,819 million yen (as of August 31, 2019)	

### 2. Dividends

	Year ended August 31, 2019	Year ending August 31, 2020
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, 2020 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, 2020

With business activities expected to be affected by the spread of COVID-19, the Company has had difficulty formulating financial forecasts at the present time. It will therefore leave the details undecided and will make a separate announcement when it is ready to compile the forecasts.

### 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, 2020:	85,486,500 shares
As of August 31, 2019:	44,390,500 shares
  2. Number of shares of treasury shares

As of May 31, 2020:	3,271,074 shares
As of August 31, 2019:	3,455,074 shares
  3. Average number of shares outstanding

As of May 31, 2020:	46,771,404 shares
As of May 31, 2019:	40,769,043 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 nine months of the fiscal year under review (from Sep. 1, 2019, to May 31, 2020), the Group continued to pursue initiatives for the expansion of the *Demae-can* business, its main business. The Company's medium-term vision features the transformation from a simple food delivery service provider into a supplier of life infrastructure for the future of Japan. With this vision in mind, it advanced the following initiatives to support people, taking into consideration the situation in which their daily lives continued to be affected due to the spread of COVID-19.

- \* Provision of free food to children's homes, children's cafeterias, and after-school daycare facilities.
- \* Provision of support to facilitate the temporary employment of restaurant employees through employment sharing and students who are experiencing difficulties.
- \* Provision of support for restaurants and residents in communities in collaboration with respective local governments.
- \* Improvement of services, such as contact-free delivery, to ensure that customers use delivery services without worry.

As a result of a sharp increase in the number of inquiries from restaurants whose businesses were seriously affected following the requests for the avoidance of nonessential outings, restaurant chains and small restaurants that had not been offering delivery services became new partners, leading to a significant rise in the number of affiliated stores. Against this background, the Company sought to promote the *Sharing Delivery* service by actively expanding areas, starting with implementation in Kumamoto Prefecture, to respond to the needs of the respective communities.

Consequently, net sales for the third quarter of the fiscal year under review increased 40.8% year on year to 6,822,957 thousand yen as a result of continuing business growth. Meanwhile, aggressive business development and investment resulted in an operating loss of 1,608,869 thousand yen (operating profit of 23,966 thousand yen in the same period of the previous fiscal year), an ordinary loss of 1,917,539 thousand yen (ordinary profit of 55,194 thousand yen in the same period of the previous fiscal year), and a loss attributable to owners of parent of 1,877,768 thousand yen (a loss attributable to owners of parent of 6,558 thousand yen in the same period of the previous fiscal year).

(Thousands of yen)

Category	Nine months ended May 31, 2019		Nine months ended May 31, 2020		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
<i>Demae-can</i> service fees	2,736,409	56.5	3,796,142	55.6	1,059,733	38.7
Delivery commissions	141,247	2.9	1,301,914	19.1	1,160,667	821.7
Other transactions	989,313	20.4	976,787	14.3	(12,526)	(1.3)
Sub-total	3,866,970	79.8	6,074,845	89.0	2,207,875	57.1
Mail order business	980,317	20.2	748,112	11.0	(232,205)	(23.7)
Total	4,847,287	100.0	6,822,957	100.0	1,975,669	40.8

Note: The previous category has been revised to reflect changes in the rate structure of the *Demae-can* business starting from the period for the nine months of the fiscal year under review.

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 3.70 million (up 28% year on year), the number of affiliated stores was 24 thousand (up 25% year on year), the number of orders placed was approximately 26.05 million (up 25% year on year), and the number of *Sharing Delivery* offices was 336 locations (up 109% year on year) at the end of the third quarter of the fiscal year under review.

As a result, net sales in the *Demae-can* business segment came to 6,074,845 thousand yen (up 57.1% year on year) for the third quarter of the fiscal year under review, including 3,796,142 thousand yen as *Demae-can* service fees, 1,301,914 thousand yen as delivery commissions and 976,787 thousand yen from other transactions.

#### (Mail Order Business)

In the Mail Order business segment, net sales came to 748,112 thousand yen (down 23.7% year on year) from mail order sales of shochu and other products to restaurants. Demand, seriously affected by the avoidance of nonessential outings, declined significantly.

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

Current assets at the end of the third quarter under review amounted to 37,664,986 thousand yen, an increase of 32,109,366 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 27,815,874 thousand yen in cash and deposits, 4,246,295 thousand yen in accounts receivable-other and 84,490 thousand yen in notes and accounts receivable-trade, which offset a decrease of 17,724 thousand yen in other current assets.

Non-current assets at the end of the third quarter under review amounted to 1,552,513 thousand yen, an increase of 23,911 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 186,011 thousand yen in software and 20,430 thousand yen in guarantee deposits, which offset a decrease of 192,820 thousand yen in investment securities and 26,740 thousand yen in property, plant, and equipment.

As a result, total assets at the end of the third quarter under review amounted to 39,217,499 thousand yen, an increase of 32,133,277 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the third quarter under review amounted to 8,484,655 thousand yen, an increase of 4,281,157 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 4,988,561 thousand yen in accounts payable-other and 89,453 thousand yen in income taxes payable, which offset a decrease of 800,000 thousand yen in short-term loans payable.

Non-current liabilities at the end of the third quarter under review amounted to 23,262 thousand yen, a decrease of 17,587 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 17,587 thousand yen in other non-current liabilities.

Net assets at the end of the third quarter under review amounted to 30,709,581 thousand yen, an increase of 27,869,708 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 15,000,040 thousand yen in capital stock and 14,993,671 thousand yen in capital surplus by the issuance of new shares and 35,668 thousand yen in disposal of treasury shares, which offset a decrease of 1,877,768 thousand yen in loss attributable to owners of parent, 116,260 thousand yen in the reversal of valuation difference on available-for-sale securities and 147,367 thousand yen in cash dividend paid and 17,599 thousand yen in the acquisition of subscription rights to shares.

## **(3) Future Forecast**

Demand for food delivery services have been expanding since April 2020, partly due to the impact of calls to refrain from nonessential outings and the state of emergency issued nationwide as the result of the spread of COVID-19. In term of order growth, quarter over quarter growth of the 3Q accounting period (Mar. 2020 to May 2020) made significant growth to 150%, compared to 114% of the 1Q accounting period (Sep.2019 to Nov. 2019) and 110% of the 2Q accounting period (Dec. 2019 to Feb. 2020).

In accordance with “Notice Regarding Revision of Consolidated Financial Forecast” issued on Mar.26, 2020, the Company has been engaging in discussion and examination to create business synergies after the signing of the capital and business alliance agreement with LINE group.

While the government had decided to lift the declaration of a state of emergency sequentially starting from mid-May, the restaurant industry is still in the process of discovering how it should operate in an environment in which people may have to live with COVID-19 going forward. In light of this situation, the Company considers it extremely difficult to have a clear picture on the impact of the pandemic at the present time. It will therefore leave consolidated full-year forecasts for the current term undecided and make a separate announcement when it determines that it is ready to make reasonable results forecasts, going forward.

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

### (1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2019	As of May 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,185,728	30,001,602
Notes and accounts receivable - trade	221,296	305,787
Merchandise and finished goods	61,687	54,371
Accounts receivable-other	2,994,747	7,241,043
Other	149,826	132,101
Allowance for doubtful accounts	(57,665)	(69,919)
<b>Total current assets</b>	<b>5,555,619</b>	<b>37,664,986</b>
<b>Non-current assets</b>		
Property, plant, and equipment	162,039	135,299
Intangible assets		
Software	741,617	927,628
Software in progress	80,227	77,306
Other	138	138
<b>Total intangible assets</b>	<b>821,983</b>	<b>1,005,073</b>
Investments and other assets		
Investment securities	374,070	181,249
Guarantee deposits	119,942	140,372
Deferred tax assets	16,311	50,722
Other	35,898	41,012
Allowance for doubtful accounts	(1,643)	(1,216)
<b>Total investments and other assets</b>	<b>544,579</b>	<b>412,141</b>
<b>Total non-current assets</b>	<b>1,528,601</b>	<b>1,552,513</b>
<b>Total assets</b>	<b>7,084,221</b>	<b>39,217,499</b>

(Thousands of yen)

	As of August 31, 2019	As of May 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	87,931	17,465
Short-term loans payable	800,000	-
Current portion of long-term loans payable	3,634	628
Accounts payable - other	3,069,776	8,058,338
Income taxes payable	49,332	138,785
Provision for bonuses	50,032	50,375
Other	142,791	219,062
Total current liabilities	4,203,497	8,484,655
<b>Non-current liabilities</b>		
Other	40,850	23,262
Total non-current liabilities	40,850	23,262
<b>Total liabilities</b>	<b>4,244,348</b>	<b>8,507,917</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,113,382	16,113,422
Capital surplus	651,365	15,645,037
Retained earnings	1,562,423	(462,712)
Treasury shares	(669,763)	(634,095)
Total shareholders' equity	2,657,407	30,661,652
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	161,725	45,464
Total valuation and translation adjustments	161,725	45,464
<b>Subscription rights to shares</b>	<b>20,740</b>	<b>2,464</b>
<b>Total net assets</b>	<b>2,839,873</b>	<b>30,709,581</b>
<b>Total liabilities and net assets</b>	<b>7,084,221</b>	<b>39,217,499</b>

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

### Consolidated Statements of Income

	(Thousands of yen)	
	Nine months ended May 31, 2019	Nine months ended May 31, 2020
<b>Net sales</b>	<b>4,847,287</b>	<b>6,822,957</b>
Cost of sales	1,878,032	2,067,198
<b>Gross profit</b>	<b>2,969,254</b>	<b>4,755,759</b>
Selling, general and administrative expenses	2,945,288	6,364,628
<b>Operating profit/loss</b>	<b>23,966</b>	<b>(1,608,869)</b>
Non-operating income		
Interest income	53	11
Reversal of allowance for doubtful accounts	1,709	1,953
Reversal of allowance for doubtful accounts	5,005	-
Share of profit of entities accounted for using equity method	24,613	16,911
Other	2,082	2,301
Total non-operating income	33,463	21,177
Non-operating expenses		
Interest expenses	1,521	1,751
Taxes and dues	455	2
Share issuance cost	-	326,480
Other	257	1,612
Total non-operating expenses	2,235	329,847
<b>Ordinary profit/loss</b>	<b>55,194</b>	<b>(1,917,539)</b>
Extraordinary income		
Gain on sales of non-current assets	3	-
Gain on sales of investment securities	-	100,039
Total extraordinary income	3	100,039
Extraordinary income		
Loss on retirement of non-current assets	8,924	95
Loss on sales of shares of subsidiaries and associates	8,676	-
Total extraordinary income	17,600	95
<b>Profit/Loss before income taxes</b>	<b>37,597</b>	<b>(1,817,596)</b>
Income taxes	44,156	60,171
<b>Profit/Loss</b>	<b>(6,558)</b>	<b>(1,877,768)</b>
Profit/Loss attributable to owners of parent	(6,558)	(1,877,768)

### Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Nine months ended May 31, 2019	Nine months ended May 31, 2020
<b>Profit/Loss</b>	<b>(6,558)</b>	<b>(1,877,768)</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,135	(116,260)
Foreign currency translation adjustment	(1,043)	-
Total other comprehensive income	6,091	(116,260)
<b>Comprehensive income</b>	<b>(467)</b>	<b>(1,994,028)</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(467)	(1,994,028)
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)

The Company received payment for new shares issued by way of the third-party allotment from LINE Corporation and Mirai Fund LLP on April 24, 2020. As a result, the capital stock and legal capital surplus increased by 15,000,040 thousand yen and 15,000,040 thousand yen during the nine months of the consolidated fiscal year under review, and the capital stock and capital surplus amounted to 16,113,422 thousand yen and 15,645,037 thousand yen, respectively, at the end of the third quarter of the fiscal year under review.

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

(Calculation of tax expenses)

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. However, if the calculation of tax expenses using the estimated effective tax rate would result in a materially unreasonable result, profit or loss before income taxes multiplied by the statutory tax rate takes into account the recoverability of deferred tax assets.

(Segment information)

1) 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)	4,847,287
Segment profit/loss	30,563	170,128	200,692	(176,725)	23,966
Other items					
Depreciation	164,527	12,198	176,725	-	176,725

Note: 1. 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.

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

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	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 adjustment of (233,850 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.