

Consolidated Financial Results for the Year Ended August 31, 2020

Name of Company	Demae-can Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	https://corporate.demae-can.com/en/
Representative	Hideo Fujii, President & CEO
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Scheduled ordinary general meeting of shareholders	November 26, 2020
Scheduled start of dividend payment	-
Scheduled release of fiscal 2020/8 business report	November 27, 2020

- 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 Year Ended August 31, 2020

(1) Operating results

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

	Year ended			
	August 31, 2019		August 31, 2020	
		%		%
Net sales (Millions of yen)	6,666	22.7	10,306	54.6
Operating profit (Millions of yen)	(39)	-	(2,623)	-
Ordinary profit (Millions of yen)	(7)	-	(2,919)	-
Profit attributable to owners of parent (Millions of yen)	(103)	-	(4,112)	-
Profit per share (Yen):				
Basic	(2.53)		(73.86)	
Diluted	-		-	
Return on equity (%)	(3.4)		(26.3)	
Ordinary income to total assets (%)	(0.1)		(13.6)	
Operating income to net sales (%)	(0.6)		(25.5)	
Comprehensive income:	Year ended August 31, 2020: (4,223) million yen, -			
	Year ended August 31, 2019: (100) million yen, -			
Profit/loss on equity method:	Year ended August 31, 2020: 11 million yen			
	Year ended August 31, 2019: 25 million yen			

(2) Financial position

	As of	
	August 31, 2019	August 31, 2020
Total assets (Millions of yen)	7,084	35,985
Total net assets (Millions of yen)	2,839	28,479
Equity ratio (%)	39.8	79.1
Net assets per share (Yen)	68.87	346.37
Equity:	28,477 million yen (as of August 31, 2020)	
	2,819 million yen (as of August 31, 2019)	

(3) Cash flows

	Year ended	
	August 31, 2019	August 31, 2020
Cash flows from operating activities	98	(1,498)
Cash flows from investing activities	(501)	(449)
Cash flows from financing activities	(338)	28,728
Cash and cash equivalents at end of period	2,185	28,966

2. Dividends

	Year ended August 31, 2019	Year ended August 31, 2020
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	0.00
Annual dividends per share (Yen)	3.60	0.00
Total dividends (Millions of yen)	147	-
Payout ratio (%)	-	-
Dividend on equity (%)	4.8	-

Note: 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)	28,000	171.7
Operating profit (Millions of yen)	(13,000)	-
Ordinary profit (Millions of yen)	(13,000)	-
Profit attributable to owners of parent (Millions of yen)	(13,000)	-
Profit per share (Yen)	(158.12)	

4. Notes

- (1) Important changes in subsidiaries (Changes on specific subsidiaries associated with changes in scope of consolidation): None
- (2) 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
- (3) Number of shares issued and outstanding (common share)
 1. Number of shares issued and outstanding (including treasury shares)

As of August 31, 2020:	85,486,500 shares
As of August 31, 2019:	44,390,400 shares
 2. Number of shares of treasury shares

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

As of August 31, 2020:	55,680,830 shares
As of August 31, 2019:	40,803,708 shares

(Reference) Overview of Non-consolidated Financial Results
Non-consolidated Results for the Year ended August 31, 2020

(1) Operating results

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

	Year ended			
	August 31, 2019		August 31, 2020	
		%		%
Net sales (Millions of yen)	5,395	33.0	9,375	73.8
Operating profit (Millions of yen)	(246)	-	(2,761)	-
Ordinary profit (Millions of yen)	(150)	-	(3,079)	-
Profit attributable to owners of parent (Millions of yen)	(195)	-	(4,217)	-
Profit per share (Yen):				
Basic	(4.80)		(75.75)	
Diluted	-		-	

(2) Financial position

	As of	
	August 31, 2019	August 31, 2020
Total assets (Millions of yen)	7,024	35,918
Total net assets (Millions of yen)	3,025	28,560
Equity ratio (%)	42.8	79.5
Net assets per share (Yen)	73.40	347.35
Equity:	28,557 million yen (as of August 31, 2020)	
	3,004 million yen (as of August 31, 2019)	

*** 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, (4) Future Forecast” on page 6 for further details.
- The Company plans to hold an earnings release conference for institutional investors and analysts on October 15, 2020 (Thursday). 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

In the fiscal year under review, 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 and, with this vision in mind, the Company pursued aggressive business development.

During the fiscal year under review, as people's daily lives came under threat from the COVID-19, the Company advanced a range of initiatives, including provision of free food to children's homes and other childcare facilities, provision of employment support, provision of support for restaurants and residents in communities in collaboration with respective local governments, and hygiene measures to ensure that customers use delivery services without worry.

The "shift towards home working", "greater opportunity to eat at home" and "shorter operating hours and reduced capacity at restaurants" prompted a shift away from restaurants towards home meal replacements, and demand for takeout and home deliveries grew sharply. Growing delivery demand led to a surge in restaurants joining the delivery market through the Sharing Delivery® service and, as a result, the number of partner restaurants increased significantly, making much more options available to Demae-can users.

Meanwhile, the Company accelerated the rollout of services to meet demand for the Sharing Delivery service in each region, expanding its area of operation to include Tokyo, Hokkaido, Kyoto, Osaka and 21 prefectures as of the end of August 2020. Furthermore, in a new initiative, the Company used cloud kitchens to launch delivery brands in collaboration with the famous brands "Raku-shoku-ken-bi - KUROMORI," a high-class Chinese restaurant in Sendai, and "la Brianza", a popular Italian restaurant in Azabu-juban.

Regarding the expansion of users and usage, higher commercial exposure of Masatoshi Hamada, the Company's CDO (Chief Demae Officer), as well as the implementation of a range of promotions significantly boosted recognition of Demae-can, leading to the acquisition of new users and more frequent use among existing users.

Consequently, consolidated net sales for the fiscal year under review increased by 54.6% year on year, to 10,306,463 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 2,623,102 thousand yen (operating loss of 39,194 thousand yen in the previous fiscal year). Meanwhile, factors such as the recording of share issuance expenses resulted in an ordinary loss of 2,919,717 thousand yen (ordinary loss of 7,121 thousand yen in the previous fiscal year), and factors such as the recording of a loss on valuation of non-current assets resulted in a loss attributable to owners of parent of 4,112,361 thousand yen (loss attributable to owners of parent of 103,236 thousand yen in the previous fiscal year).

(Thousands of yen)

Category	Year ended August 31, 2019		Year ended August 31, 2020		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Demae-can service fee	3,744,483	56.2	5,724,575	55.5	1,980,091	52.9
Delivery commissions	325,749	4.9	2,324,379	22.6	1,998,629	613.5
Other transactions	1,325,065	19.9	1,326,304	12.9	1,238	0.1
Sub-total	5,395,299	80.9	9,375,259	91.0	3,979,960	73.8
Mail order business	1,270,883	19.1	931,203	9.0	(339,680)	(26.7)
Total	6,666,183	100.0	10,306,463	100.0	3,640,280	54.6

Note: Starting from the fiscal year under review, the categories have been revised to reflect an increase in the Sharing Delivery service's share of Demae-can business and changes in the rate structure of the Demae-can business.

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 3.92 million (up 31% year on year), the number of partner restaurants was 33 thousand (up 65% year on year), the number of orders placed was approximately 37.07 million (up 31% year on year), and the number of Sharing Delivery offices was 384 locations (up 79% year on year) at the end of the fiscal year under review. As a result, net sales in the Demae-can business segment came to 9,375,259 thousand yen (up 73.8% year on year) for the fiscal year under review, including 5,724,575 thousand yen as Demae-can service fees, 2,324,379 thousand yen as delivery commissions and 1,326,304 thousand yen from other transactions.

(Mail Order Business)

In the Mail Order business segment, net sales came to 931,203 thousand yen (down 26.7% year on year) from mail order sales of shochu and other products to restaurants. Demand, seriously affected by COVID-19, declined significantly.

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

Current assets at the end of the fiscal year under review amounted to 35,580,251 thousand yen, an increase of 30,024,632 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 26,780,456 thousand yen in cash and deposits and 3,380,782 thousand yen in accounts receivable-other, which offset a decrease of 86,391 thousand yen in notes and accounts receivable-trade and 20,995 thousand yen in other current assets.

Non-current assets at the end of the fiscal year under review amounted to 405,540 thousand yen, a decrease of 1,123,061 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 732,175 thousand yen in software, 191,347 thousand yen in investment securities, 80,227 thousand yen in software in progress, 81,493 thousand yen in other under property, plant and equipment, and 29,021 thousand yen in buildings and structures.

As a result, total assets at the end of the fiscal year under review amounted to 35,985,792 thousand yen, an increase of 28,901,571 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the fiscal year under review amounted to 7,461,691 thousand yen, an increase of 3,258,193 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 3,797,465 thousand yen in accounts payable-other and 151,927 thousand yen in income taxes payable, which offset a decrease of 800,000 thousand yen in short-term loans payable and 33,904 thousand yen in notes and accounts payable-trade.

Non-current liabilities at the end of the fiscal year under review amounted to 44,380 thousand yen, an increase of 3,530 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 3,530 thousand yen in other non-current liabilities.

As a result, total liabilities at the end of the fiscal year under review amounted to 7,506,071 thousand yen, an increase of 3,261,723 thousand yen from the end of the previous fiscal year.

Net assets at the end of the fiscal year under review amounted to 28,479,720 thousand yen, an increase of 25,639,847 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included the recording of issuance of new shares of 30,000,080 thousand yen, valuation difference on available-for-sale securities of 111,527 thousand yen, and disposal of treasury shares of 35,668 thousand yen, which offset loss attributable to owners of parent of 4,112,361 thousand yen, cash dividend paid of 147,367 thousand yen, and the acquisition of subscription rights to shares (cancelled after acquisition) of 17,599 thousand yen.

(3) Summary of Cash Flows in the Fiscal Year under Review

The balance of cash and cash equivalents (“cash”) at the end the fiscal year under review was 28,966,185 thousand yen, an increase of 26,780,456 thousand yen from the previous fiscal year.

The status of each of the cash flow segments in the fiscal year under review is as follows:

(Cash flows from operating activities)

Net cash used in operating activities during the fiscal year under review was 1,498,913 thousand yen (98,120 thousand yen provided in the previous fiscal year). The change was mainly attributable to loss before income taxes of 3,976,408 thousand yen, impairment loss of 1,156,635 thousand yen, depreciation of 321,985 thousand yen, an increase in accounts receivable of 3,380,782 thousand yen, and an increase in accounts payable of 3,767,017 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review was 449,248 thousand yen (501,355 thousand yen used in the previous fiscal year). The change primarily reflects the purchase of intangible assets of 534,785 thousand yen and proceeds from sales of investment securities of 134,277 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the fiscal year under review was 28,728,621 thousand yen (338,800 thousand yen used in the previous fiscal year). Key contributing factors included proceeds from the issuance of new shares of 29,673,599 thousand yen, short-term loans payable of 4,400,000 thousand yen, and the disposal of treasury shares of 28,624 thousand yen, which offset repayments of short-term loans payable of 5,200,000 thousand yen, repayments of long-term loans payable of 3,634 thousand yen, and cash dividends paid of 147,377 thousand yen.

(Reference) Changes in cash flows related indicators

	Year ended August 31, 2016	Year ended August 31, 2017	Year ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2020
Equity Ratio (%)	57.0	60.8	50.1	39.8	79.1
Equity Ratio at market value (%)	462.2	1,499.4	2,083.9	855.2	527.5
Interest-bearing debt to cash ratio (times)	0.9	0.1	1.9	8.2	-
Interest coverage ratio (times)	147.0	55.2	836.4	41.8	-

* Equity ratio: Equity / Total assets

* Equity ratio at market value: Market capitalization / Total assets

* Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows from operating activities

* Interest coverage ratio: Cash flows from operating activities / Interest expenses

1. Market capitalization is calculated based on the following formula: Closing stock price at fiscal year-end x Number of shares outstanding at fiscal year-end after deduction of treasury share.

2. The cash flow amount represents net cash provided by (used in) operating activities.

3. The interest-bearing debts include all interest-bearing liabilities that are listed on the consolidated balance sheet.

The interest payment represents the amount of interest expenses paid presented on the cash flow statement.

(4) Future Forecast

During the fiscal year under review, the Group issued new shares by way of a third-party allotment to the LINE Group and signed a robust capital and business alliance agreement with the LINE Group for medium- and long-term growth and, in collaboration with the Line Group, the Group is further accelerating the expansion of the Demae-can Business and promoting food deliveries as a part of everyday life.

The Group judges that the fiscal year ending August 31, 2021 is the time to prioritize investment in building a business base and will make major upfront investments, which it will then translate into further business expansion in the coming fiscal years.

Consequently, the Company projects the following consolidated financial results for the fiscal year ending August 31, 2021.

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Year ending August 31, 2021	28,000	(13,000)	(13,000)	(13,000)

(5) Fundamental Policy for Distribution of Profits and Dividends for the Current and Next Fiscal Years

The Company considers that its basic policy is to increase its corporate value by strengthening its business base and enhancing management efficiency based on active business development and to provide its shareholders with a continuous and stable return of profit. It aims for a payout ratio of approximately 30% and stable dividend while maintaining active investment in the future businesses at the same time.

The Company's basic policy for dividends of surplus is one payment a year distributed at the end of each fiscal year. To facilitate a flexible profit return to shareholders according to the business results, the Company has specified in its articles of incorporation that the Company may distribute dividends of surplus as interim dividends to shareholders or registered pledgees of shares with the last day of February as the record date upon a resolution of the Board of Directors. The organizations that determine the payment of these dividends of surplus are the General Meeting of Shareholders for year-end dividends and the Board of Directors for interim dividends.

For the fiscal year under review, the Company will suspend the payment of year-end dividends because it will put priority on investment in business as announced in "Notice Regarding the Revision of Cash Dividends Forecast (Non-dividend)" released on August 18, 2020.

(Reason for difficulty in forecasting dividends)

The Company comprehensively examines its business performance, financial position, dividend payout ratio, and the level of retained earnings for future business development to make flexible decisions. For this reason, the Company has not indicated a dividend forecast for the next fiscal year.

2. Basic Approach to the Selection of Accounting Standards

The Group's stakeholders consist largely of shareholders, creditors, business partners, and other parties based in Japan. For this reason, the Company has adopted the Japanese accounting standards for its financial statements.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2019	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	2,185,728	28,966,185
Notes and accounts receivable—trade	221,296	134,904
Merchandise and finished goods	61,687	47,175
Accounts receivable-other	2,994,747	6,375,530
Other	149,826	128,830
Allowance for doubtful accounts	(57,665)	(72,374)
Total current assets	<u>5,555,619</u>	<u>35,580,251</u>
Non-current assets		
Property, plant, and equipment		
Buildings and structures	77,094	52,898
Accumulated depreciation	(32,321)	(37,146)
Buildings and structures, net	<u>44,773</u>	<u>15,751</u>
Land	64	-
Other	257,818	213,809
Accumulated depreciation	(140,616)	(178,100)
Other, net	<u>117,201</u>	<u>35,708</u>
Total property, plant and equipment	<u>162,039</u>	<u>51,460</u>
Intangible assets		
Software	741,617	9,441
Software in progress	80,227	-
Other	138	138
Total intangible assets	<u>821,983</u>	<u>9,580</u>
Investments and other assets		
Investment securities	374,070	182,722
Guarantee deposits	119,942	111,275
Deferred tax assets	16,311	13,277
Other	35,898	38,790
Allowance for doubtful accounts	(1,643)	(1,567)
Total investments and other assets	<u>544,579</u>	<u>344,499</u>
Total non-current assets	<u>1,528,601</u>	<u>405,540</u>
Total assets	<u>7,084,221</u>	<u>35,985,792</u>

	(Thousands of yen)	
	As of August 31, 2019	As of August 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	87,931	54,026
Short-term loans payable	800,000	-
Current portion of long-term loans payable	3,634	-
Accounts payable - other	3,069,776	6,867,242
Income taxes payable	49,332	201,259
Provision for bonuses	50,032	82,184
Other	142,791	256,978
Total current liabilities	<u>4,203,497</u>	<u>7,461,691</u>
Non-current liabilities		
Other	40,850	44,380
Total non-current liabilities	<u>40,850</u>	<u>44,380</u>
Total liabilities	<u>3,233,227</u>	<u>7,506,071</u>
Net assets		
Shareholders' equity		
Capital stock	1,113,382	16,113,422
Capital surplus	651,365	15,645,037
Retained earnings	1,562,423	(2,697,306)
Treasury shares	(669,763)	(634,095)
Total shareholders' equity	<u>2,657,407</u>	<u>28,427,058</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	161,725	50,197
Total valuation and translation adjustments	<u>161,725</u>	<u>50,197</u>
share acquisition rights	<u>20,740</u>	<u>2,464</u>
Total net assets	<u>2,839,873</u>	<u>28,479,720</u>
Total liabilities and net assets	<u>7,084,221</u>	<u>35,985,792</u>

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Year ended August 31, 2019	Year ended August 31, 2020
Net sales	6,666,183	10,306,463
Cost of sales	2,469,734	3,023,560
Gross profit	4,196,449	7,282,902
Selling, general and administrative expenses	4,235,643	9,906,005
Operating profit	(39,194)	(2,623,102)
Non-operating income		
Interest income	65	112
Dividend income	3,418	2,780
Reversal of allowance for doubtful accounts	5,005	-
Share of profit of entities accounted for using equity method	25,857	11,566
Subsidy income	-	17,176
Other	8,176	3,001
Total non-operating income	42,522	34,636
Non-operating expenses		
Interest expenses	2,152	1,802
Taxes and dues	7,434	1,402
Foreign exchange losses	455	2
Stock issuance cost	-	326,480
Other	407	1,562
Total non-operating expenses	10,449	331,250
Ordinary profit	(7,121)	(2,919,717)
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 losses		
Loss on retirement of non-current assets	8,924	95
Impairment loss	-	1,156,635
Loss on sales of shares of subsidiaries and associates	8,676	-
Total extraordinary losses	17,600	1,156,730
Profit before income taxes	(24,718)	(3,976,408)
Income taxes - current	88,159	78,480
Income taxes - deferred	(9,641)	57,472
Total income taxes	78,517	135,953
Profit	(103,236)	(4,112,361)
Profit attributable to owners of parent	(103,236)	(4,112,361)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Year ended August 31, 2019	Year ended August 31, 2020
Profit	(103,236)	(4,112,361)
Other comprehensive income		
Valuation difference on available-for-sale securities	4,084	(111,527)
Foreign currency translation adjustment	(1,043)	-
Total other comprehensive income	3,040	(111,527)
Comprehensive income	(100,195)	(4,223,889)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(100,195)	(4,223,889)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Equity

Year ended August 31, 2019

(Thousands of yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earning	Treasury shares	Total shareholder's equity
Balance at beginning of current period	1,113,300	637,340	1,813,455	(466,962)	3,097,134
Changes of items during period					
Issuance of new shares	81	81			163
Dividends of surplus			(145,825)		(145,825)
Profit (loss) attributable to owners of parent			(103,236)		(103,236)
Purchase of treasury shares				(299,947)	(299,947)
Disposal of treasury shares		4,020		97,146	101,167
Change of scope of consolidation		9,922	(1,970)		7,951
Net changes of items other than shareholders' equity					-
Total changes of items during period	81	14,024	(251,032)	(202,801)	(439,726)
Balance at end of current period	1,113,382	651,365	1,562,423	(669,763)	2,657,407

	Other comprehensive income			share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income			
Balance at beginning of current period	157,641	1,043	158,685	6,637	6,472	3,268,929
Changes of items during period						
Issuance of new shares						163
Dividends of surplus						(145,825)
Profit (loss) attributable to owners of parent						(103,236)
Purchase of treasury shares						(299,947)
Disposal of treasury shares						101,167
Change of scope of consolidation					(6,472)	1,478
Net changes of items other than shareholders' equity	4,084	(1,043)	3,040	14,102	-	17,142
Total changes of items during period	4,084	(1,043)	3,040	14,102	(6,472)	(429,056)
Balance at end of current period	161,725	-	161,725	20,740	-	2,839,873

Year ended August 31, 2020

(Thousands of yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earning	Treasury shares	Total shareholder's equity
Balance at beginning of current period	1,113,382	651,365	1,562,423	(669,763)	2,657,407
Changes of items during period					
Issuance of new shares	15,000,040	15,000,040			30,000,080
Dividends of surplus			(147,367)		(147,367)
Profit (loss) attributable to owners of parent			(4,112,361)		(4,112,361)
Disposal of treasury shares		(6,368)		35,668	29,300
Net changes of items other than shareholders' equity					-
Total changes of items during period	15,000,040	14,993,671	(4,259,729)	35,668	25,769,650
Balance at end of current period	16,113,422	15,645,037	(2,697,306)	(634,095)	28,427,058

	Other comprehensive income			share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income			
Balance at beginning of current period	161,725	-	161,725	20,740	-	2,839,873
Changes of items during period						
Issuance of new shares						30,000,080
Dividends of surplus						(147,367)
Profit (loss) attributable to owners of parent						(4,112,361)
Disposal of treasury shares						29,300
Net changes of items other than shareholders' equity	(111,527)	-	(111,527)	(18,275)	-	(129,803)
Total changes of items during period	(111,527)	-	(111,527)	(18,275)	-	25,639,847
Balance at end of current period	50,197	-	50,197	2,464	-	28,479,720

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year ended August 31, 2019	Year ended August 31, 2020
Cash flows from operating activities		
Profit before income taxes	(24,718)	(3,976,408)
Depreciation	245,727	321,985
Impairment loss	-	1,156,635
Loss on retirement of non-current assets	8,924	95
Loss (gain) on sales of property, plant and equipment	(3)	-
Loss (gain) on sales of shares of subsidiaries and associates	8,676	-
Loss (gain) on sales of investment securities	-	(100,039)
Increase (decrease) in allowance for doubtful accounts	55,166	14,632
Increase (decrease) in provision for bonuses	17,369	32,151
Interest and dividend income	(3,483)	(2,892)
Foreign exchange losses (gains)	455	2
Stock issuance cost	-	326,480
Interest expenses	2,152	1,802
Share of (profit) loss of entities accounted for using equity method	(25,857)	(11,566)
Decrease (increase) in notes and accounts receivable - trade	94,550	86,467
Decrease (increase) in inventories	(349)	14,123
Increase (decrease) in notes and accounts payable - trade	(10,975)	(33,904)
Decrease (increase) in accounts receivable-other	(1,129,867)	(3,380,782)
Increase (decrease) in accounts payable-other	1,076,402	3,767,017
Other	7,673	278,497
Subtotal	321,842	(1,505,701)
Interest and dividend income received	8,868	10,910
Interest expenses paid	(2,346)	(1,986)
Income taxes paid	(230,244)	(80,957)
Income taxes refund	-	78,821
Net cash provided by) operating activities	98,120	(1,498,913)
Cash flows from investing activities		
Purchase of property, plant and equipment	(79,703)	(2,365)
Purchase of intangible assets	(396,923)	(534,785)
Proceeds from sales of non-current assets	3	-
Proceeds from sales of investment securities	-	134,277
Payments for leasehold and guarantee deposits	(7,363)	(39,485)
Proceeds from collection of leasehold and guarantee deposits	10	1,825
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(10,118)	-
Other	(7,260)	(8,714)
Net cash provided by (used in) investing activities	(501,355)	(449,248)

(Thousands of yen)

	Year ended August 31, 2019	Year ended August 31, 2020
Cash flows from financing activities		
Increase in short-term loans payable	2,900,000	4,400,000
Decrease in short-term loans payable	(2,900,000)	(5,200,000)
Repayments of long-term loans payable	(4,008)	(3,634)
Proceeds from issuance of common shares	163	29,673,599
Purchase of treasury shares of subsidiaries	(299,947)	-
Proceeds from disposal of treasury shares of subsidiaries	97,670	28,624
Cash dividends paid	(145,874)	(147,377)
Proceeds from issuance of share acquisition rights	17,600	-
Purchase of issuance of share acquisition rights	-	(17,599)
Other	(4,403)	(4,991)
Net cash provided by (used in) financing activities	(338,800)	28,728,621
Effect of exchange rate change on cash and cash equivalents	(455)	(2)
Net increase (decrease) in cash and cash equivalents	(742,490)	26,780,456
Cash and cash equivalents at beginning of period	2,928,218	2,185,728
Cash and cash equivalents at end of period	2,185,728	28,966,185

(5) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Significant changes in Shareholders' Equity)

On April 24, 2020, the Company received payment from LINE Corporation and Mirai Fund LLP in relation to the issuance of new shares by way of third-party allotment. As a result, during the fiscal year under review, capital stock and legal capital surplus increased by 15,000,040 thousand yen each, and at the end of the fiscal year under review, capital stock and capital surplus stood at 16,113,422 thousand yen and 15,645,037 thousand yen respectively.

(Segment information)

1) Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess their performance.

The reporting segments of the Group are the Demae-can business and the mail order business.

The Demae-can segment primarily operates a website for the door-to-door delivery service, and the mail order sales segment sells, in large part, high-quality Shochu to restaurants on the phone.

2) Calculation method of net sales, profits or losses, assets, liabilities and other items by reportable segment

The accounting methods for the reportable segments are the same as the accounting principles and procedures used to prepare the consolidated financial statements.

The profit of reporting segments is based on operating profit before depreciation and amortization (Earnings Before Interest Taxes, *Depreciation*, and *Amortization* (EBITDA)). Intersegment sales and transfers are based on the prevailing market prices.

3) Net sales and profit or loss in reportable segments

Year ended August 31, 2019 (from September 1, 2018 to August 31, 2019)

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Sales to external customers	5,395,299	1,270,883	6,666,183		6,666,183
Intersegment sales or transfers	-	265,255	265,255	(265,255)	-
Net sales	5,395,299	1,536,139	6,931,438	(265,255)	6,666,183
Segment profit	(17,735)	224,268	206,533	(245,727)	(39,194)
Segment assets	6,291,472	821,562	7,113,034	(28,813)	7,084,221
Segment debt	3,999,414	273,746	4,273,161	(28,813)	4,244,348
Other items					
Depreciation	229,218	16,509	245,727	-	245,727
Investment to entities accounted for using equity method	78,674	-	78,674	-	78,674
Increase in the amount of tangible and intangible fixed assets	494,674	16,820	511,495	-	511,495

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

- (a) The adjustment of (245,727 thousand yen) in the segment profit (loss) includes depreciation and amortization expenses of (245,727 thousand yen).
- (b) The adjustment of (28,813 thousand yen) in the segment assets represents the elimination of inter-segment transactions of (28,813 thousand yen).

- (c) The adjustment of (28,813 thousand yen) in the segment liabilities represents the elimination of intersegment transactions of (28,813 thousand yen).
2. The total segment profit (loss) in each reporting segment and the total value of adjustment are consistent with the operating loss in the consolidated income statement.

Year ended August 31, 2020 (from September 1, 2019 to August 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	9,375,259	931,203	10,306,463	-	10,306,463
Intersegment sales or transfers	84	410,217	410,302	(410,302)	-
Net sales	9,375,344	1,341,421	10,716,765	(410,302)	10,306,463
Segment profit	(2,455,849)	154,733	(2,301,116)	(321,985)	(2,623,102)
Segment assets	35,188,571	852,355	36,040,927	(55,134)	35,985,792
Segment debt	7,358,440	202,766	7,561,206	(55,134)	7,506,071
Other items					
Depreciation	305,680	16,305	321,985	-	321,985
Investment to entities accounted for using equity method	78,674	-	82,222	-	82,222
Increase in the amount of tangible and intangible fixed assets	494,674	8,494	568,554	-	568,554

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

- (a) The adjustment of (321,985 thousand yen) in the segment profit (loss) includes depreciation and amortization expenses of (321,985 thousand yen).
- (b) The adjustment of (55,134 thousand yen) in the segment assets represents the elimination of inter-segment transactions of (55,134 thousand yen).
- (c) The adjustment of (55,134 thousand yen) in the segment liabilities represents the elimination of intersegment transactions of (55,134 thousand yen).
2. The total segment profit (loss) in each reporting segment and the total value of adjustment are consistent with the operating loss in the consolidated income statement.

(Related information)

Year ended August 31, 2019

1) Information on each product and service

(Thousands of yen)

	Demae-can business	Mail order business	Total
Net sales to external customers	5,395,299	1,270,883	6,666,183

2) Information on each geographic area

(a) Net sales

This information is omitted due to the amount of sales to external customers in Japan exceeding 90% of the sales on the consolidated income statement.

(b) Property, plant, and equipment

This information is omitted due to the total value of property, plant, and equipment located in Japan exceeding 90% of the value of property, plant, and equipment on the consolidated balance sheet.

3) Information on each key customer

This information is omitted due to the absence of external customers contributing to more than 10% of sales on the consolidated income statement.

Year ended August 31, 2019

1) Information on each product and service

(Thousands of yen)

	<i>Demae-can</i> business	Mail order business	Total
Net sales to external customers	9,375,259	931,203	10,306,463

2) Information on each geographic area

(a) Net sales

This information is omitted due to the amount of sales to external customers in Japan exceeding 90% of the sales on the consolidated income statement.

(b) Property, plant, and equipment

This information is omitted due to the total value of property, plant, and equipment located in Japan exceeding 90% of the value of property, plant, and equipment on the consolidated balance sheet.

3) Information on each key customer

This information is omitted due to the absence of external customers contributing to more than 10% of sales on the consolidated income statement.

(Information on impairment loss on non-current assets in each reporting segment)

Year ended August 31, 2019

Not applicable.

Year ended August 31, 2020

(Thousands of yen)

	<i>Demae-can</i> business	Mail order business	Eliminations or general corporate	Total
Impairment loss	1,156,635	-	-	1,156,635

(Information on amortization and unamortized balance of goodwill in each reporting segment)

Year ended August 31, 2019

Not applicable.

Year ended August 31, 2020

Not applicable.

(Information on gain on bargain purchase in each reporting segment)

Year ended August 31, 2019

Not applicable.

Year ended August 31, 2020

Not applicable.

(Per share information)

	Year ended August 31,2019	Year ended August 31,2020
Net assets per share (Yen)	68.87	346.37
Profit per share (Yen)	(2.53)	(73.86)
Fully diluted profit per share (Yen)	-	-

Note: 1. The basis of calculating the net assets per share is as follows:

	(Thousands of yen)	
	Year ended August 31,2019	Year ended August 31,2020
Net Assets	2,839,873	28,479,720
Amount subtracted from the total amount of net assets included	20,740	2,464
Share acquisition rights	(20,740)	(2,464)
Net asset value concerning common shares at the end of the period	2,819,133	28,477,256
The number of common shares at the end of the period used to calculate net assets per share	40,935,426	82,215,426

2. The basis of calculating the profit (loss) per share and fully diluted profit per share is as follows:

	(Thousands of yen)	
	Year ended August 31,2019	Year ended August 31,2020
Profit per share		
Profit attributable to owners of parent	(103,326)	(4,112,361)
Amount not attributable to common	-	-
Profit attributable to owners of parent related to common shares	(103,236)	(4,112,361)
Average number of shares outstanding of common share (Shares)	40,803,708	55,680,830
Fully diluted profit per share		-
Adjustment of profit attributable to owners of parent	-	-
Increase in the number of common shares	-	-
share acquisition rights (shares)	(-)	(-)
Overview of dilutive shares not included in the calculation of the amount of fully diluted profit per share due to the absence of the dilutive		-

(Significant subsequent event)

Not applicable.