



December 24, 2020

Consolidated Financial Results for the Three Months Ended November 30, 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
Contact Atsushi Miyashita, Operating Officer, 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, 2020

(1) Operating results

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

| | Year ended | | | |
|---|-------------------|------|-------------------|-------|
| | November 30, 2019 | | November 30, 2020 | |
| | | % | | % |
| Net sales (Millions of yen) | 1,817 | 26.8 | 4,228 | 132.7 |
| Operating profit (Millions of yen) | (210) | - | (3,194) | - |
| Ordinary profit (Millions of yen) | (202) | - | (3,195) | - |
| Profit attributable to owners of parent (Millions of yen) | (220) | - | (3,543) | - |
| Profit per share (Yen): | | | | |
| Basic | (5.38) | | (43.10) | |
| Diluted | - | | - | |

Comprehensive income: Year ended November 30, 2020: (3,542) million yen, -
Year ended November 30, 2019: (238) million yen, -

(2) Financial position

| | As of | |
|------------------------------------|-----------------|-------------------|
| | August 31, 2020 | November 30, 2020 |
| Total assets (Millions of yen) | 35,985 | 33,673 |
| Total net assets (Millions of yen) | 28,479 | 24,937 |
| Equity ratio (%) | 79.1 | 74.0 |

Equity: 24,934 million yen (as of November 30, 2020)
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 | |
| 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) | 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) | |

Note: Revision to the financial forecasts most recently announce: 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, 2020: | 85,486,500 shares |
| As of August 31, 2020: | 85,486,500 shares |
 2. Number of shares of treasury shares

| | |
|--------------------------|------------------|
| As of November 30, 2020: | 3,270,274 shares |
| As of August 31, 2020: | 3,271,074 shares |
 3. Average number of shares outstanding

| | |
|--------------------------|-------------------|
| As of November 30, 2020: | 82,215,804 shares |
| As of November 30, 2019: | 40,989,074 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 4 for further details.

1. Summary of Operating Results and Financial Position

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

During the first quarter under review (September 1, 2020 to November 30, 2020), the Group accelerated its initiatives to expand the Demae-can business by strengthening its partnership with LINE Corporation to actualize our vision — “Food delivery is a routine part of life”

With regard to its efforts to increase partner restaurants, the Company viewed their entry into the restaurant delivery business not as temporary but as a change in awareness of restaurant management, and aggressively strived to increase partner restaurants. As a result, the number of partner restaurants rose significantly, ranging from famous chain stores, including the ones with hundreds of locations such as McDonald's, to local restaurants.

In terms of the expanding the *Sharing Delivery* service, the Company extended the service to 29 prefectures, including the initiation of the service in Oita, Yamanashi, Mie, and Ishikawa Prefectures. Also, as a result of the efforts to increase the number of delivery staff and restaurants, the number of deliveries via *Sharing Delivery* increased approximately five times compared to the same period in the previous year.

Regarding the expansion of users and usage, the Company advertised its brand on TV commercials and other media and implemented a variety of campaigns. In addition, starting on November 10, 2020, the Company began linking its accounts with LINE accounts and posting the Demae-can icon in the LINE app. The increased appeal of Demae-can to LINE users led to the increased usage of the service and the number of users.

Consequently, consolidated net sales for the first three months of the current fiscal year under review increased by 132.7% year on year, to 4,228,055 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 3,194,131 thousand yen (operating loss of 210,162 thousand yen in the previous fiscal year), ordinary loss of 3,195,340 thousand yen (ordinary loss of 202,059 thousand yen in the previous fiscal year) and loss attributable to owners of parent of 3,543,866 thousand yen (loss attributable to owners of parent of 220,604 thousand yen in the previous fiscal year).

(Thousands of yen)

| Category | Three months ended November 30, 2019 | | Three months ended November 30, 2021 | | YoY | |
|---------------------------|---|--------------------|---|--------------------|-----------|---------------|
| | Amount | Sales ratio (%) | Amount | Sales ratio (%) | Amount | Change (%) |
| <i>Demae-can</i> business | | | | | | |
| Demae-can service fees | 957,647 | 52.7 | 2,007,791 | 47.5 | 1,050,143 | 109.7 |
| Delivery commissions | 217,241 | 12.0 | 1,670,084 | 39.5 | 1,452,843 | 668.8 |
| Other transactions | 335,021 | 18.4 | 358,662 | 8.5 | 23,640 | 7.1 |
| Sub-total | 1,509,910 | 83.1 | 4,036,538 | 95.5 | 2,526,628 | 167.3 |
| Mail order business | 307,210 | 16.9 | 191,516 | 4.5 | (115,693) | (37.7) |
| Total | 1,817,120 | 100.0 | 4,228,055 | 100.0 | 2,410,934 | 132.7 |

Note: Starting from the previous third quarter, the categories have been revised to reflect 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, GMV at the end of the first quarter of the current fiscal year increased significantly by 30.7 billion yen (up 58% year on year). In addition, the number of active users was 4.71 million (up 52% year on year), the number of partner restaurants was 45 thousand (up 116% year on year), and the population coverage rate of Sharing Delivery® was 34% (+4% from the end of the previous fiscal year). This business segment expanded steadily in line with its mid-term

management plan.

As a result, net sales in the Demae-can business segment came to 4,036,538 thousand yen (up 167.3% year on year) for the current fiscal year under review, including 2,007,791 thousand yen as Demae-can service fee, 1,670,084 thousand yen as delivery commission and 358,662 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 191,516 thousand yen (down 37.7% 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 first quarter of the current fiscal year amounted to 33,306,805 thousand yen, a decrease of 2,273,446 thousand yen from the end of the previous fiscal year. This decrease was attributable to a decrease of 2,283,611 thousand yen in cash and deposits and a decrease of 55,996 thousand yen in account receivable-other, despite an increase of 69,122 thousand yen in other current assets.

Non-current assets at the end of the first quarter of the current fiscal year amounted to 366,740 thousand yen, a decrease of 38,800 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 36,881 thousand yen in other investments and other assets and 2,904 thousand yen in property, plant, and equipment, while investment securities increased 1,903 thousand yen.

As a result, total assets at the end of the first quarter of the current fiscal year amounted to 33,673,545 thousand yen, a decrease of 2,312,246 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the first quarter of the current fiscal year amounted to 8,692,200 thousand yen, an increase of 1,230,508 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 1,383,257 thousand yen in accounts payable-other, which offset a decrease of 147,499 thousand yen in income taxes payable and 15,281 thousand yen in provision for bonuses.

Non-current liabilities at the end of the first quarter of the current fiscal year amounted to 44,137 thousand yen, a decrease of 242 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 242 thousand yen in other non-current liabilities.

As a result, total liabilities at the end of the first quarter of the current fiscal year amounted to 8,736,337 thousand yen, an increase of 1,230,265 thousand yen from the end of the previous fiscal year.

Net assets at the end of the first quarter of the current fiscal year amounted to 24,937,208 thousand yen, a decrease of 3,542,512 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease in capital surplus of 2,664,275 thousand yen was deficiency compensation, and decrease of retained earnings by 879,548 yen due to the offsetting of 3,543,866 thousand yen in loss attributable to parent and the deficiency compensation. On the other hand, valuation difference on available-for-sale securities increased 1,219 thousand yen and the recording of 155 thousand yen in the disposal of treasury stock.

(3) Future Forecast

Consolidated financial results for the fiscal year ending August 31, 2021 remain unchanged from the “Consolidated Financial Results for the Year Ended August 31, 2020” announced on October 15, 2020.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

| | (Thousands of yen) | |
|-------------------------------------|--------------------------|--------------------------|
| | As of August 31, 2020 | As of November 30, 2020 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 28,966,185 | 26,682,573 |
| Notes and accounts receivable—trade | 134,904 | 133,550 |
| Merchandise and finished goods | 47,175 | 47,313 |
| Accounts receivable-other | 6,375,530 | 6,319,533 |
| Other | 128,830 | 197,953 |
| Allowance for doubtful accounts | (72,374) | (74,119) |
| Total current assets | <u>35,580,251</u> | <u>33,306,805</u> |
| Non-current assets | | |
| Property, plant, and equipment | 51,460 | 48,555 |
| Intangible assets | | |
| Software | 9,441 | 8,692 |
| Other | 138 | 138 |
| Total intangible assets | <u>9,580</u> | <u>8,830</u> |
| Investments and other assets | | |
| Investment securities | 182,722 | 184,626 |
| Guarantee deposits | 111,274 | 111,067 |
| Deferred tax assets | 13,277 | 13,277 |
| Other | 38,790 | 1,909 |
| Allowance for doubtful accounts | (1,567) | (1,527) |
| Total investments and other assets | <u>344,499</u> | <u>309,353</u> |
| Total non-current assets | <u>405,540</u> | <u>366,740</u> |
| Total assets | <u>35,985,792</u> | <u>33,673,545</u> |

(Thousands of yen)

| | As of August 31, 2020 | As of November 30, 2020 |
|---|-----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 54,026 | 53,650 |
| Accounts payable - other | 6,867,242 | 8,250,500 |
| Income taxes payable | 201,259 | 53,760 |
| Provision for bonuses | 82,184 | 66,902 |
| Other | 256,978 | 267,386 |
| Total current liabilities | 7,461,691 | 8,692,200 |
| Non-current liabilities | | |
| Other | 44,380 | 44,137 |
| Total non-current liabilities | 44,380 | 44,137 |
| Total liabilities | 7,506,071 | 8,736,337 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 16,113,422 | 16,113,422 |
| Capital surplus | 15,645,037 | 12,980,762 |
| Retained earnings | (2,697,306) | (3,576,855) |
| Treasury shares | (634,095) | (633,940) |
| Total shareholders' equity | 28,427,058 | 24,883,389 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 50,197 | 51,416 |
| Total accumulated other comprehensive income | 50,197 | 51,416 |
| share acquisition rights | 2,464 | 2,401 |
| Total net assets | 28,479,720 | 24,937,208 |
| Total liabilities and net assets | 35,985,792 | 33,673,545 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

| | (Thousands of yen) | |
|---|---|---|
| | Three months ended November 30, 2019 | Three months ended November 30, 2020 |
| Net sales | 1,817,120 | 4,228,055 |
| Cost of sales | 689,034 | 1,702,818 |
| Gross profit | 1,128,086 | 2,525,237 |
| Selling, general and administrative expenses | 1,338,248 | 5,719,368 |
| Operating profit | (210,162) | (3,194,131) |
| Non-operating income | | |
| Share of profit of entities accounted for using equity method | 9,589 | 3,833 |
| Subsidy income | - | 6,929 |
| Other | 557 | 1,608 |
| Total non-operating income | 10,146 | 12,370 |
| Non-operating expenses | | |
| Interest expenses | 461 | 41 |
| Taxes and dues | 1,326 | - |
| Loss on cancellation of insurance policies | - | 11,048 |
| Other | 255 | 2,489 |
| Total non-operating expenses | 2,043 | 13,579 |
| Ordinary profit | (202,059) | (3,195,340) |
| Extraordinary losses | | |
| Impairment loss | - | 232,223 |
| Retirement benefits for directors | - | 100,000 |
| Total extraordinary losses | - | 332,223 |
| Profit before income taxes | (202,059) | (3,527,564) |
| Income taxes | 18,545 | 16,302 |
| Loss | (220,604) | (3,543,866) |
| Loss attributable to owners of parent | (220,604) | (3,543,866) |

Consolidated Statements of Comprehensive Income

| | (Thousands of yen) | |
|--|---|---|
| | Three months ended November 30, 2019 | Three months ended November 30, 2020 |
| Profit | (220,604) | (3,543,866) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (17,799) | 1,219 |
| Total other comprehensive income | (17,799) | 1,219 |
| Comprehensive income | (238,404) | (3,542,647) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (238,404) | (3,542,647) |
| 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 has capital surplus decreased by 2,664,317 thousand yen and retained earnings increased by 2,664,317 thousand yen by making up for the shortfall in retained earnings carried forward on November 26, 2020, based on a resolution of the 21st Ordinary General Meeting of Shareholders held on November 26, 2020. As a result, capital surplus at the end of the first quarter of the current consolidated fiscal year was 12,980,762 thousand yen and retained earnings were (3,576,855 thousand yen).

(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

Three months ended November 30, 2019 (from September 1, 2019 to November 30, 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 | 1,509,910 | 307,210 | 1,817,120 | - | 1,817,120 |
| Intersegment sales or transfers | 5 | 64,373 | 64,378 | (64,378) | - |
| Net sales | 1,509,915 | 371,583 | 1,881,499 | (64,378) | 1,817,120 |
| Segment profit / loss | (182,722) | 45,377 | (137,344) | (72,817) | (210,162) |
| Other items | | | | | |
| Depreciation | 68,865 | 3,951 | 72,817 | - | 72,817 |

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

The adjustment of (72,817 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.

Three months ended November 30, 2020 (from September 1, 2020 to November 30, 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 | 4,036,538 | 191,516 | 4,228,055 | - | 4,228,055 |
| Intersegment sales or transfers | 7 | 142,555 | 142,562 | (142,562) | - |
| Net sales | 4,036,545 | 334,072 | 4,370,618 | (142,562) | 4,228,055 |
| Segment profit / loss | (3,205,060) | 17,743 | (3,187,316) | (6,814) | (3,194,131) |
| Other items | | | | | |
| Depreciation | 3,160 | 3,654 | 6,814 | - | 6,814 |

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

The adjustment of (6,814 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 concerning goodwill or an impairment loss related to non-current assets by reportable segments

(Significant impairment loss related to non-current assets)

An impairment loss was recorded for fixed assets acquired during the first quarter of the current fiscal year in the "Demae-can business". The amount of the impairment loss recorded was 232,223 thousand yen for the first quarter of the current fiscal year.