

## Consolidated Financial Results for the Nine Months Ended May 31, 2023

|                 |   |
|-----------------|---|
| Name of Company | Demaecan Co., Ltd   |
| Stock exchange  | Standard of Tokyo Stock Exchange (Code 2484)  |
| URL             | <a href="https://corporate.demaecan.co.jp/en/">https://corporate.demaecan.co.jp/en/</a> |
| Representative  | Hideo Fujii, President & CEO  |
| Contact         | Motoki Kobayashi, Head of Finance & Accounting Division                                 |
| TEL             | +81 50 5445 5390  |

|  |   |
|--|---|
| Scheduled date of filing of quarterly report:            | July 14, 2023                               |
| Scheduled start of dividend payment:                     | -   |
| Supplementary materials for quarterly financial results: | Yes   |
| Hosting quarterly financial results meeting:             | Yes (for institutional investors & analyst) |

- 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 May 31, 2023

#### (1) Operating results

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

|   | Nine months ended   |      |              |      |
|---|---|------|--------------|------|
|   | May 31, 2022  |      | May 31, 2023 |      |
|   |   | %    |              | %    |
| Net sales (Millions of yen)                               | 34,874  | 89.1 | 38,420       | 10.2 |
| Operating profit (Millions of yen)                        | (29,662)  | -    | (10,746)     | -    |
| Ordinary profit (Millions of yen)                         | (29,872)  | -    | (10,644)     | -    |
| Profit attributable to owners of parent (Millions of yen) | (29,536)  | -    | (10,669)     | -    |
| Profit per share (Yen):                                   |   |      |              |      |
| Basic   | (234.47)  |      | (81.05)      |      |
| Diluted   |   |      |              |      |
| Comprehensive income:                                     | Nine months ended May 31, 2023: (10,676) million yen, - % |      |              |      |
|   | Nine months ended May 31, 2022: (29,557) million yen, - % |      |              |      |

#### (2) Financial position

|                                    | As of                                      |              |
|------------------------------------|--|--------------|
|                                    | August 31, 2022                            | May 31, 2023 |
| Total assets (Millions of yen)     | 69,190                                     | 55,832       |
| Total net assets (Millions of yen) | 54,225                                     | 43,543       |
| Equity ratio (%)                   | 78.4                                       | 78.0         |
| Equity:                            | 43,538 million yen (as of May 31, 2023)    |              |
|                                    | 54,215 million yen (as of August 31, 2022) |              |

## 2. Dividends

|                                    | Year ended<br>August 31, 2022 | Year ending<br>August 31, 2023 | Year ending<br>August 31, 2023<br>(forecast) |
|------------------------------------|-------------------------------|--------------------------------|--|
| Q1-end dividends per share (Yen)   | -                             | -                              |  |
| Q2-end dividends per share (Yen)   | 0.00                          | 0.00                           |  |
| Q3-end dividends per share (Yen)   | -                             | -                              |  |
| Year-end dividends per share (Yen) | 0.00                          |                                | 0.00   |
| Annual dividends per share (Yen)   | 0.00                          |                                | 0.00   |

Note: Revision to the dividends forecasts most recently announce: None  
No dividend will be paid for the fiscal year ending August 31, 2023 (forecast).

## 3. Financial forecasts for the fiscal year ending August 31, 2023

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

| (Millions of yen unless otherwise stated) | Year ending<br>August 31, 2023 | %   |
|---|--------------------------------|-----|
| Sales                                     | 50,000                         | 5.7 |
| Operating Profit                          | (17,000)                       |     |
| Ordinary Profit                           | (16,900)                       |     |
| Net income attributable to owners of the  | (16,950)                       |     |
| Earnings per share (Yen)                  | (128.76)                       |     |

(Note) Revisions to the most recently announced earnings forecasts: None

### \*Notes

- Important changes in subsidiaries (Changes on specific subsidiaries associated with changes in scope of consolidation): None
- Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes  
(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)" on page 7 of the attached materials.
- Changes in accounting policies, changes in accounting estimates and restatements
  - Changes in accounting policies along with changes in accounting standards: None
  - Other changes of accounting policies besides the number 1 above: None
  - Changes in accounting estimates: None
  - Restatements: None
- Number of shares issued and outstanding (common share)
  - Number of shares issued and outstanding (including treasury shares)

|                        |                    |
|------------------------|--------------------|
| As of May 31, 2023:    | 131,755,230 shares |
| As of August 31, 2022: | 131,755,230 shares |
  - Number of shares of treasury shares

|                        |                |
|------------------------|----------------|
| As of May 31, 2023:    | 171,897 shares |
| As of August 31, 2022: | 91,587 shares  |
  - Average number of shares outstanding

|                     |                    |
|---------------------|--------------------|
| As of May 31, 2023: | 131,638,849 shares |
| As of May 31, 2022: | 125,968,043 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:**

(Cautionary Statement Concerning Forward-Looking Statements)

- 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) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements on page 5 for further details.

(How to obtain supplementary information on financial results)

The Company plans to hold a financial result briefing for institutional investors and analysts on Wednesday, July 12, 2023. The presentation materials to be discussed at the meeting is published on the company's website.

(Change in the unit of presentation for monetary amounts)

- The amounts of items and other matters stated in the Company's quarterly consolidated financial statements were previously stated in units of thousand yen; however, during and after the first quarter of the fiscal year under review, units of million yen are used in stating such amounts. For easier comparison, units of million yen are also used for the previous consolidated fiscal year and the previous consolidated first Nine months.

## **1. Summary of Operating Results and Financial Position**

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

During the third quarter of the fiscal year under review (September 1, 2022 to May 31, 2023), the Group stepped up its efforts to expand the Demae-can business with a view toward attaining its goal of making food delivery part of everyday life.

With the recategorization of COVID-19, which had been on a downward trend since the second quarter, from Class 2 to Class 5 on May 8, restrictions on movement and activities were lifted and thus the flow of people increased significantly. As a result, sales in the food service industry continued to exceed that of 2019, the level before the COVID-19 outbreak, for the third quarter of the fiscal year under review. (Source: Japan Foodservice Association)

Meanwhile, even during the fourth quarter, the consumer price index continues to trend higher and household spending is declining, inevitably affecting demand for the food delivery service to a significant extent. (Source: Ministry of Internal Affairs and Communications, Ministry of Health, Labor and Welfare)

In this macroeconomic environment, the Company sought to increase the satisfaction of users, riders, and merchants and to retain them by making steady efforts to enhance the lineup of merchants in both the food and non-food areas while enhancing the customer experience by improving the accuracy of the delivery time and the quality of customer service. In addition, the Company sought to further increase the use of services in the Keihanshin area (Osaka, Kyoto, Hyogo prefecture) in May by running a locally tailored campaign through a tie-up with a local baseball team, while at the same time promoting the use of delivery services nationwide by holding a delivery fee free campaign with selective merchants.

Accordingly, GMV in the third quarter of the fiscal year under review stood at 50.5 billion yen (down 7% year on year), and the number of active users came to 7.12 million (down 19% year on year) at the end of the third quarter of the fiscal year under review. Looking ahead to the fourth quarter and beyond, the Group will continue to offer services chosen by users, riders and merchants by focusing on the fundamental enhancement of service quality through the improvement of products.

On the cost side, the optimization of cost of sales progressed steadily, and the gross profit margin improved from the previous quarter to 22%. Regarding advertising, the Group will implement measures focusing on cost effectiveness while continuously tracking market trends.

Consequently, consolidated net sales for the third quarter of the fiscal year under review increased by 10.2 % year on year, to 38,420 million yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 10,746 million yen (operating loss of 29,662 million yen in the previous fiscal year), ordinary loss of 10,644 million yen (ordinary loss of 29,872 million yen in the previous fiscal year) and loss attributable to owners of parent of 10,669 million yen (loss attributable to owners of parent of 29,536 million yen in the previous fiscal year).

Effective from the first quarter of the fiscal year under review, the Group's reportable segments, which traditionally reflected two businesses, namely, the Demae-can business and the Mail Order business, are merged into a single Demae-can business segment. Segment information therefore is omitted.

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

#### **1) Assets, Liabilities, and Net Assets**

Current assets at the end of the third quarter under review amounted to 55,399 million yen, a decrease of 13,464 million yen from the end of the previous fiscal year. This was primarily due to decreases of 11,037 million yen in cash and deposits and 1,077 million yen in accounts receivable - other.

Non-current assets at the end of the third quarter under review amounted to 433 million yen, an increase of 106 million yen from the end of the previous fiscal year. This was mainly due to increases of 39 million yen and 66 million yen in investment securities and guarantee deposits, respectively.

As a result, total assets at the end of the third quarter under review amounted to 55,832 million yen, a decrease of 13,358 million yen from the end of the previous fiscal year.

Current liabilities at the end of the third quarter under review amounted to 12,215 million yen, a decrease of 2,699 million yen from the end of the previous fiscal year. This decrease mainly reflected a decrease of 2,935 million yen in accounts payable - other.

Non-current liabilities at the end of the third quarter under review increased 23 million yen from the end of the previous fiscal year, to 73 million yen. Key factors contributing to this increase included an increase of 23 million yen in other non-current liabilities.

As a result, total liabilities at the end of the third quarter under review amounted to 12,288 million yen, a decrease of 2,676 million yen from the end of the previous fiscal year.

Net assets amounted to 43,543 million yen, a decrease of 10,681 million yen from the end of the previous fiscal year. The decrease mainly reflected a decline in retained earnings due to the posting of 10,669 million yen as a loss attributable to owners of parent.

### **(3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements**

There is no change to the full-year consolidated earnings forecast for the fiscal year ending August 31, 2023, which was announced in the "Consolidated Financial Results for the Six Months Ended February 28, 2023," released on April 12, 2023.

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

### (1) Consolidated Balance Sheets

(Millions of yen)

|   | As of August 31, 2022 | As of May 31, 2023 |
|---|-----------------------|--------------------|
| <b>Assets</b>   |                       |                    |
| <b>Current assets</b>                                 |                       |                    |
| Cash and deposits                                     | 53,262                | 42,224             |
| Notes and accounts receivable—trade                   | 104                   | 105                |
| Merchandise and finished goods                        | 17                    | 0                  |
| Accounts receivable-other                             | 13,332                | 12,255             |
| Other   | 2,188                 | 858                |
| Allowance for doubtful accounts                       | (42)                  | (44)               |
| <b>Total current assets</b>                           | <b>68,863</b>         | <b>55,399</b>      |
| <b>Non-current assets</b>                             |                       |                    |
| Investments and other assets                          |                       |                    |
| Investment securities                                 | 254                   | 293                |
| Guarantee deposits                                    | 59                    | 126                |
| Deferred tax assets                                   | 12                    | 12                 |
| Other   | 1                     | 5                  |
| Allowance for doubtful accounts                       | (1)                   | (5)                |
| <b>Total investments and other assets</b>             | <b>326</b>            | <b>433</b>         |
| <b>Total non-current assets</b>                       | <b>326</b>            | <b>433</b>         |
| <b>Total assets</b>                                   | <b>69,190</b>         | <b>55,832</b>      |
| <b>Liabilities</b>                                    |                       |                    |
| <b>Current liabilities</b>                            |                       |                    |
| Accounts payable - other                              | 14,615                | 11,679             |
| Income taxes payable                                  | 97                    | 17                 |
| Provision for bonuses                                 | 21                    | 14                 |
| Other   | 180                   | 503                |
| <b>Total current liabilities</b>                      | <b>14,915</b>         | <b>12,215</b>      |
| <b>Non-current liabilities</b>                        |                       |                    |
| Other   | 50                    | 73                 |
| <b>Total non-current liabilities</b>                  | <b>50</b>             | <b>73</b>          |
| <b>Total liabilities</b>                              | <b>14,965</b>         | <b>12,288</b>      |
| <b>Net assets</b>                                     |                       |                    |
| <b>Shareholders' equity</b>                           |                       |                    |
| Capital stock   | 100                   | 100                |
| Capital surplus                                       | 112,269               | 53,891             |
| Retained earnings                                     | (58,184)              | (10,475)           |
| Treasury shares                                       | (3)                   | (3)                |
| <b>Total shareholders' equity</b>                     | <b>54,181</b>         | <b>43,511</b>      |
| <b>Valuation and translation adjustments</b>          |                       |                    |
| Valuation difference on available-for-sale securities | 34                    | 27                 |
| <b>Total valuation and translation adjustments</b>    | <b>34</b>             | <b>27</b>          |
| Share acquisition rights                              | 9                     | 4                  |
| <b>Total net assets</b>                               | <b>54,225</b>         | <b>43,543</b>      |
| <b>Total liabilities and net assets</b>               | <b>69,190</b>         | <b>55,832</b>      |

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

## Consolidated Statements of Income

(Millions of yen)

|   | Nine months ended<br>May 31, 2022 | Nine months ended<br>May 31, 2023 |
|---|-----------------------------------|-----------------------------------|
| <b>Net sales</b>  | <b>34,874</b>                     | <b>38,420</b>                     |
| Cost of sales   | 37,707                            | 30,861                            |
| <b>Gross profit</b>   | <b>(2,832)</b>                    | <b>7,558</b>                      |
| Selling, general and administrative expenses                  | 26,829                            | 18,304                            |
| <b>Operating profit</b>                                       | <b>(29,662)</b>                   | <b>(10,746)</b>                   |
| Non-operating income  |                                   |                                   |
| Interest income   | 0                                 | 0                                 |
| Dividend income   | 0                                 | 0                                 |
| Share of profit of entities accounted for using equity method | 50                                | 67                                |
| Insurance claim income  | 10                                | 4                                 |
| Subsidy income  | 137                               | 23                                |
| Other   | 6                                 | 11                                |
| Total non-operating income                                    | 206                               | 106                               |
| Non-operating expenses  |                                   |                                   |
| Interest expenses   | 0                                 | -                                 |
| Compensation for damage                                       | 7                                 | 0                                 |
| Foreign exchange losses                                       | -                                 | 3                                 |
| Share issuance cost   | 397                               | -                                 |
| Other   | 10                                | 1                                 |
| Total non-operating expenses                                  | 416                               | 5                                 |
| <b>Ordinary profit</b>  | <b>(29,872)</b>                   | <b>(10,644)</b>                   |
| Extraordinary income  |                                   |                                   |
| Gain on sales of non-current assets                           | 3                                 | 2                                 |
| Gain on reversal of subscription rights to shares             | 589                               | 6                                 |
| Total extraordinary income                                    | 592                               | 8                                 |
| Extraordinary losses  |                                   |                                   |
| Loss on retirement of non-current assets                      | 0                                 | -                                 |
| Correction of prior period financial statements expenses      | 181                               | -                                 |
| Loss on change in equity method                               | -                                 | 2                                 |
| Total extraordinary losses                                    | 181                               | 2                                 |
| <b>Profit before income taxes</b>                             | <b>(29,460)</b>                   | <b>(10,638)</b>                   |
| Income taxes etc.   | 75                                | 31                                |
| <b>Profit</b>   | <b>(29,536)</b>                   | <b>(10,669)</b>                   |
| Profit attributable to owners of parent                       | (29,536)                          | (10,669)                          |

Consolidated Statements of Comprehensive Income

(Millions of yen)

|  | Nine months ended<br>May 31, 2022 | Nine months ended<br>May 31, 2023 |
|--|-----------------------------------|-----------------------------------|
| <b>Profit</b>  | <b>(29,536)</b>                   | <b>(10,669)</b>                   |
| <b>Other comprehensive income</b>                              |                                   |                                   |
| Valuation difference on available-for-sale securities          | (21)                              | (7)                               |
| Total other comprehensive income                               | (21)                              | (7)                               |
| <b>Comprehensive income</b>                                    | <b>(29,557)</b>                   | <b>(10,676)</b>                   |
| Comprehensive income attributable to                           |                                   |                                   |
| Comprehensive income attributable to owners of parent          | (29,557)                          | (10,676)                          |
| Comprehensive income attributable to non-controlling interests | -                                 | -                                 |



### **(3) Notes to Consolidated Financial Statements**

(Notes on the going concern assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Based on a resolution of the 23rd Annual General Meeting of Shareholders held on November 29, 2022, the Company reduced legal capital surplus in the amount of 52,151 million yen and transferred the same amount to other capital surplus pursuant to the provisions of paragraph 1, Article 448 of the Companies Act. The Company also reduced other capital surplus by 58,378 million yen and transferred the same amount to retained earnings brought forward to cover a deficit under Article 452 of the Companies Act.

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

(Calculation of tax expenses)

With respect to the calculation of tax expenses, reasonable estimations are performed on an effective tax rate established after applying tax accounting to profit before income taxes for the consolidated fiscal year, which includes the third quarter of the consolidated fiscal year under review, and such tax expenses are calculated by multiplying this estimated effective tax rate by profit before income taxes. If the calculation of tax expenses using the estimated effective tax rate is extremely unreasonable, profit/loss before income taxes multiplied by the statutory tax rate is used and the recoverability of deferred tax assets is taken into consideration.

(Segment information)

I. Nine months ended May 31, 2022 (from September 1, 2021 to May 31, 2022)

As indicated in "II. Nine months ended May 31, 2022 (Matters concerning changes in the reportable segment)"

II. Nine months ended May 31, 2023 (from September 1, 2022 to May 31, 2023)

Since the Group has only single business segment, the statement is omitted.

(Matters concerning changes in the reportable segment)

Effective from the first quarter of the fiscal year under review, the Group's reportable segments, which traditionally reflected two businesses, namely, the Demae-can business and the Mail Order business, are merged into single Demae-can business segment because Demae-can Communications Co., Ltd., which is a subsidiary, transferred the Mail Order business it had been conducting on June 30, 2022.

With the Group's reportable segments merged into a single business segment as a consequence of this change, segment information is omitted in conjunction with the results for the third quarter of the previous fiscal year and the third quarter of the fiscal year under review.