Demaecan

FY 8/2023 2nd Quarter Results

April 12, 2023

Business Highlights

Q2 FY8/2023 Highlights

Q2 FY8/2023 KPI Progress	• Rebound from last year's major campaigns and the shift in macro environment, including re-opening and inflation led to the following KPI results
	  • GMV[1] : JPY 54.2 billion — YoY 89%
	  • Orders: 20.21 million — YoY 84%
	  • Active Users[2]: 7.70 million — YoY 90%

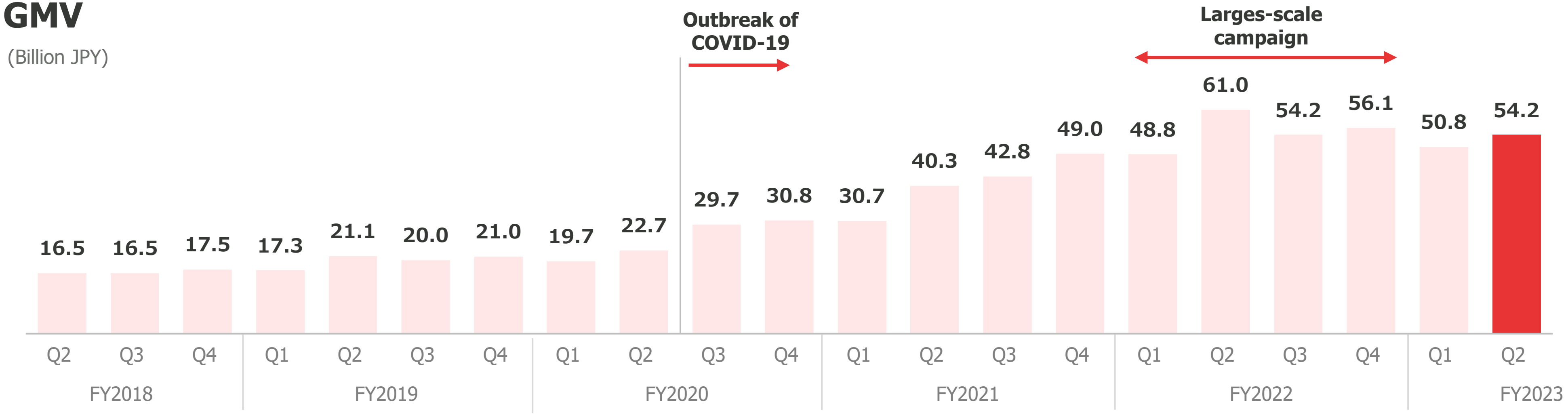
Strategy Review	• **Focused on improving service and product fundamentals** to maximize user experience • **Significantly reduced operating expenses (YoY 68%)** due to optimization of delivery compensations and lower SG&A expenses

1. GMV (Gross Merchandise Value): item price + delivery fee before discount + other user fees
2. Active Users: users who placed more than one order within the last twelve months (unique users); as of the end of the quarter

Major KPIs

GMV

(Billion JPY)

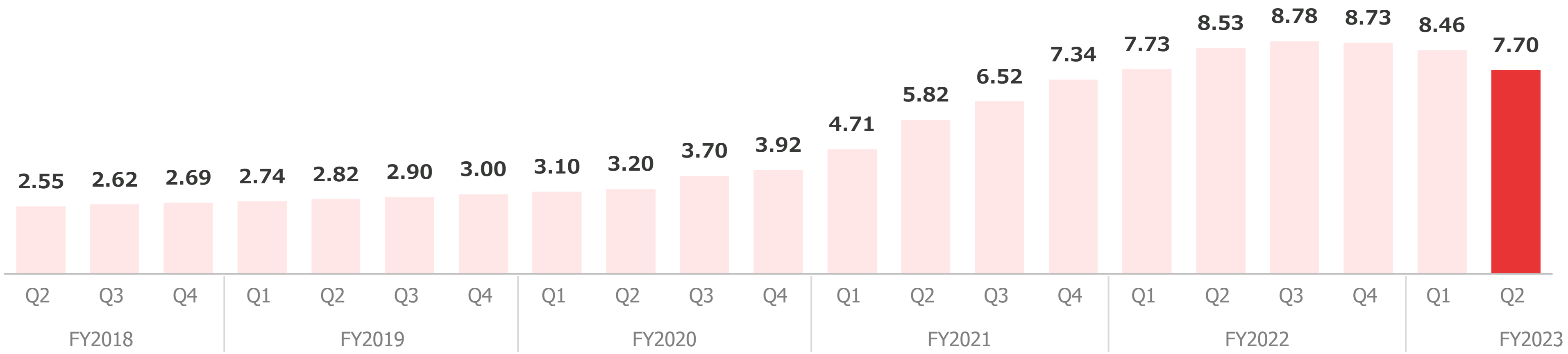


3yr CAGR

+34%

Active Users

(Million)



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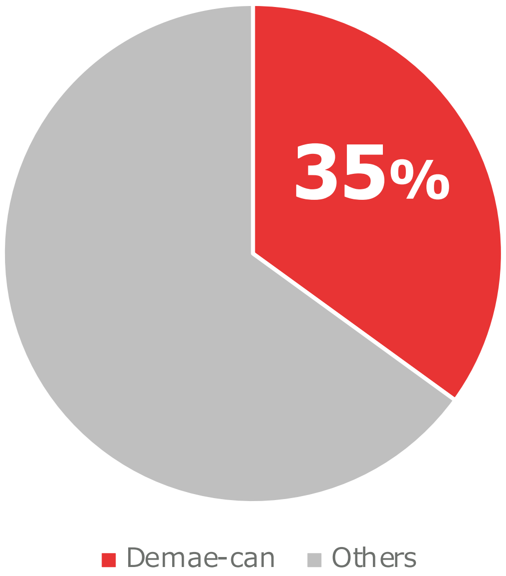
DAU Share No.1

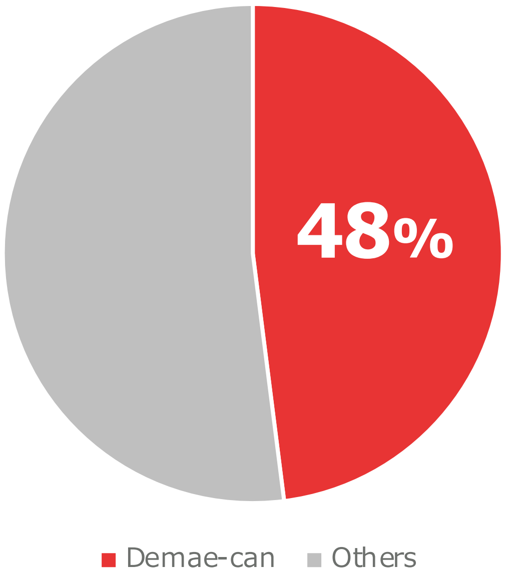
- ✓ DAU share increased, maintaining No.1 position
- ✓ No.1 App download throughout FY2022[1]

Food Delivery App DAU share evolution[2]

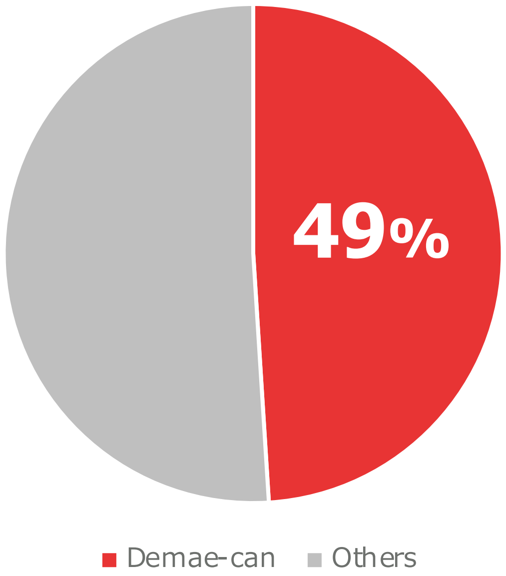
Aug. 2021



Aug. 2022



Feb. 2023



DAU: Daily Active User

1. Source: data.ai, cumulative app downloads from Jan 2022 to Dec 2022 of "Food & Drink" and "Food Delivery/Takeout" category (iOS and Google Play combined)
2. Monthly average. Source: data.ai; Among Top 7 Food Delivery aggregator apps in Japan by average smartphone DAU of Aug. 2021 and Feb. 2023; Analysis does not deduplicate users who may use multiple apps. Only Pickup and deliver apps (food delivery aggregators), does not include restaurants that offer delivery services.

Q2 FY8/2023 Topics

Fundamental service & product improvements to maximize user experience

User

- Enhanced customer support

Delivery

- Improved delivery experience

Merchant

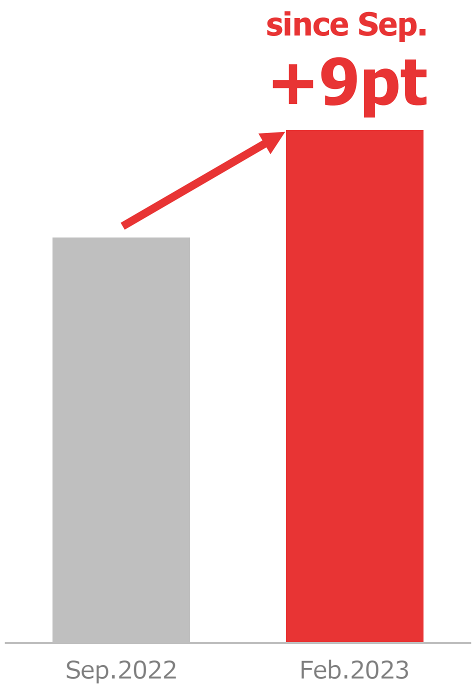
- Merchant consulting initiatives
- Growth in non-food category

Enhanced Customer Support

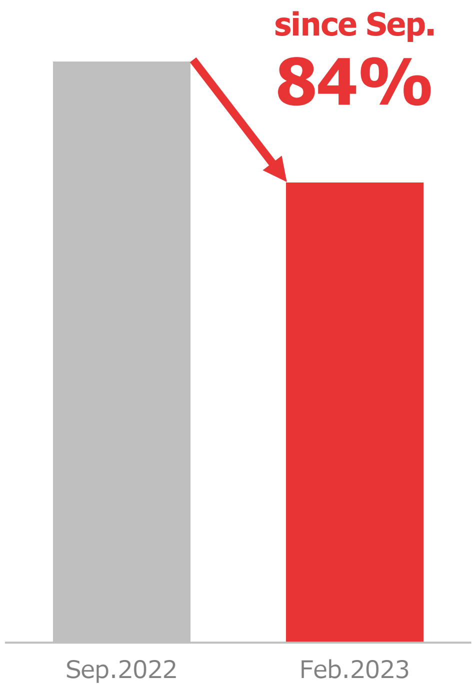
- ✓ Dedicated CX division from this fiscal year; single point of customer support for users, merchants, and riders
- ✓ Improved response rate while lowering CS cost per order

Improved UX and satisfaction

Response rate to users



CS cost per order[1]



Key initiatives

1 UI improvement and content upgrade to the support page

2 Optimizing inquiry/contact support operation

Improve service experience by analyzing and utilizing VoC[2]

1. CS (customer support) costs related to inquiries from users
2. Voice of Customer

Improved Delivery Experience

- ✓ Enhancing delivery quality; improved the accuracy of delivery time and reduced the rate of late deliveries and complaints
- ✓ 81% of riders surveyed, expressed desire to continue delivery with Demae-can

Improved delivery experience

Accuracy of displayed delivery time[1]

Up 50%

% of late deliveries (more than 10min)[1]

Down 30%

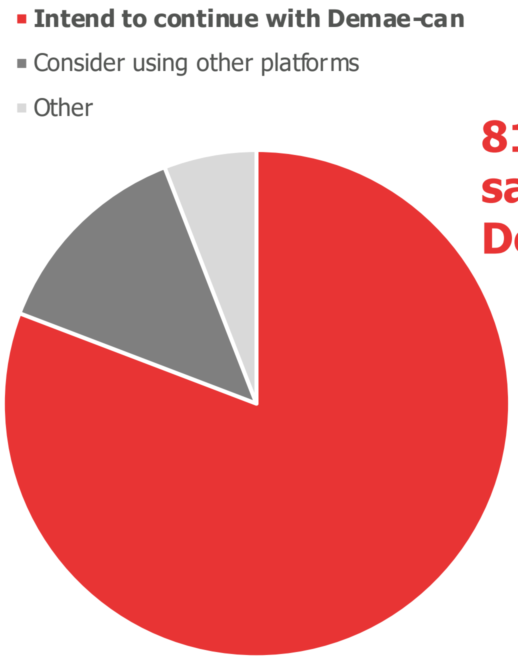
Complaint rate[2]

Down 55%

Initiatives to improve delivery quality

1. Improvement of matching algorithm
2. Improved prediction model
3. Change in method for assignment of orders to rider
4. Dynamic pricing

Rider survey[3]



81% of riders satified with Demae-can

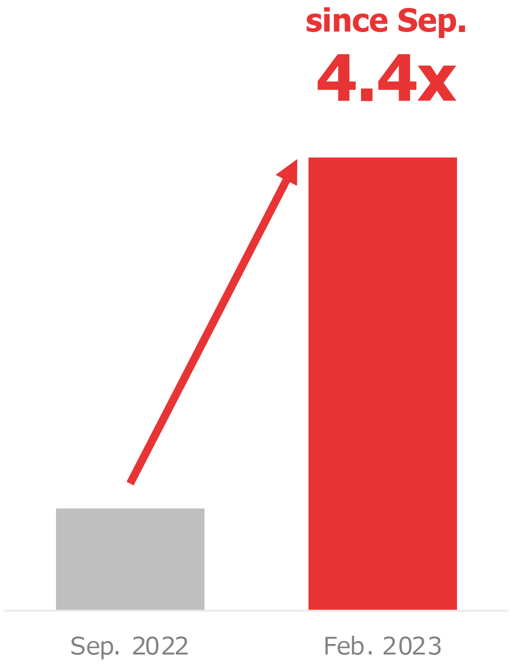
1. February 2023 Results Compared to July 2022
2. February 2023 Results Compared to February 2022
3. Rider survey conducted in March 2023; N=5,201; riders were asked if they want to continue using Demae-can as a delivery platform

Merchant Consulting Initiatives

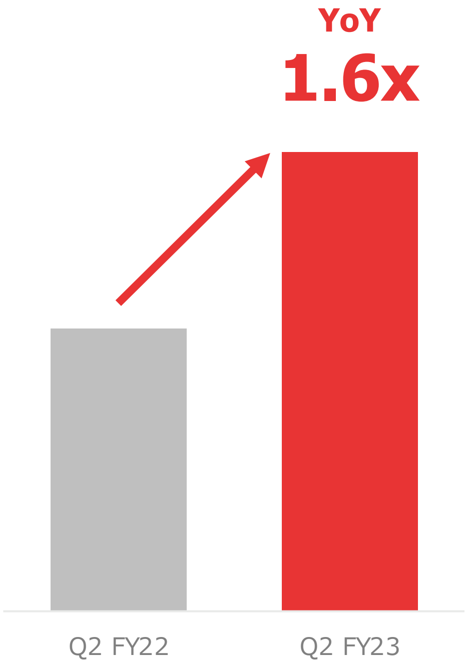
- ✓ Offering consulting to new SMBs; significantly increased GMV per merchant at opening
- ✓ Increasing merchant sales from offering of promotions and coupons provided by merchants

Consulting initiatives for merchants

Increased GMV[1] per merchant through health score initiative



Promotional budget provided by merchants



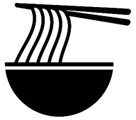
Improve merchant health scores

- Consulting efforts to ensure quality of content provided on merchant page

Examples of Health Score Items

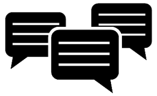
Opening hours

\# of items



Item with photos

Comments posted



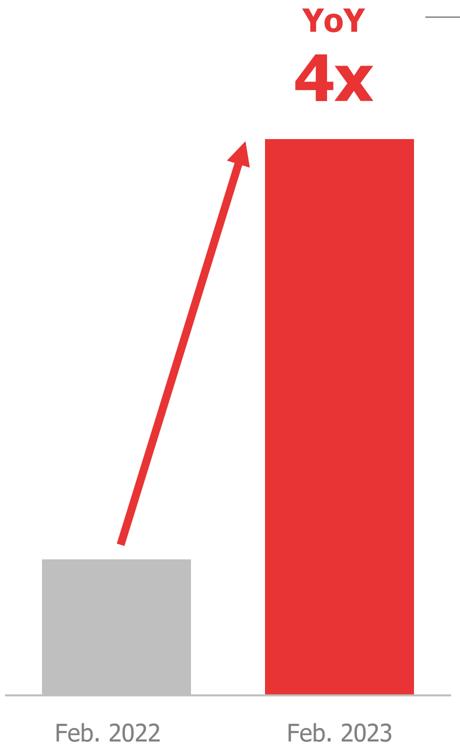
GMV per merchant increases in proportion to higher health score

1. GMV for new SMBs for the first 30 days after opening

Growth in non-food category

- ✓ Non-food merchants increased 4x. Platform now accepting designated class 2 drugs and delivery opportunities are expanding
- ✓ Frequency is higher for users who ordered both food and non-food; promoting cross-use

Number of non-food merchants



Major brands launched in 1H FY8/23

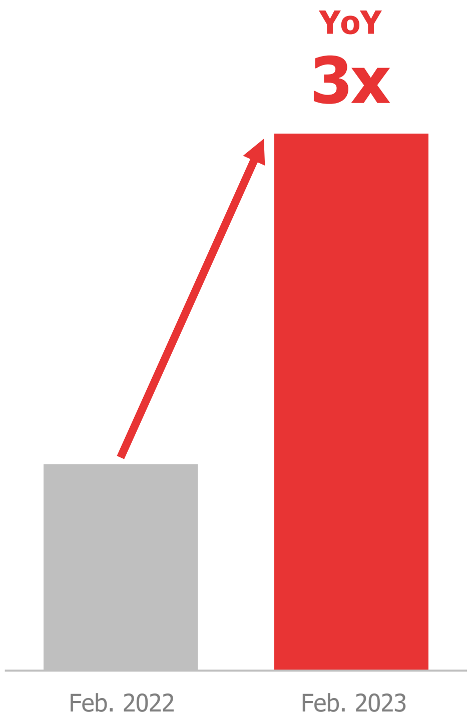
- Welcia
- Akachan Honpo
- Picard

\+

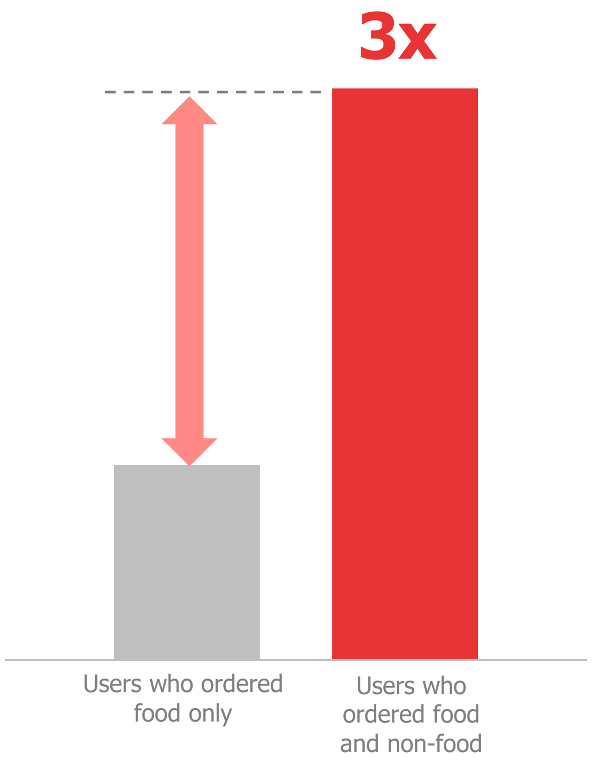
- Accepting designated class 2 drugs

Cross-use of food and non-food

Number of users who ordered food and non-food items



Number of orders per month (Feb. 2023)



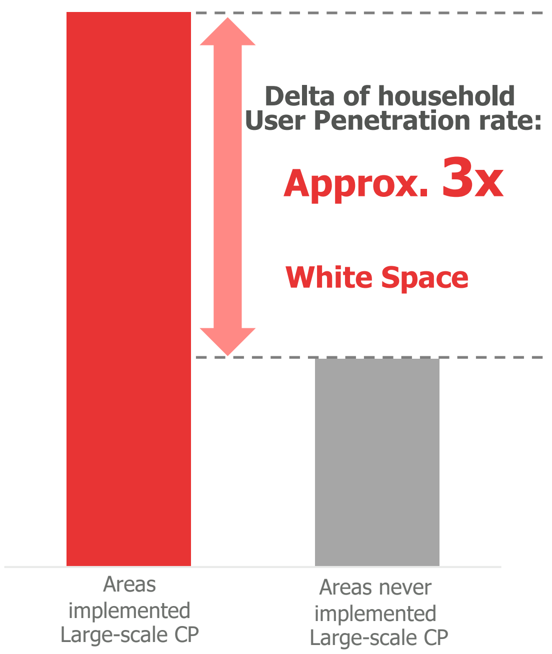
FY2023 Second Half Strategy

2H FY2023 Key Strategies

✓ Focus on improving the user penetration in specific white space areas and expanding delivery opportunities

Improvement of PU conversion rate in the area

Household User Penetration[1] (Dec.2022)



1. Area-specific promotional measures
2. Cultivating popular local merchants
3. Increased category coverage
4. Optimization of operating hours and delivery distance

Expanding delivery opportunities

Restaurant market size[2]	Non-food market size[3]		
	JPY 41tn		
Restaurant JPY 24tn	Supermarket JPY 22tn	CVS JPY 11tn	Drugstore JPY 8tn

Expand partnerships with merchants and increase delivery opportunities

1. Household user penetration rate = Ratio of ordered users to household TAM. Household TAM is based on the figures from the October 2020 Census conducted by the Ministry of Internal Affairs and Communications, and takes into account the coverage rate of households in our delivery service area.
2. Source: Yano Research Institute, "Analysis of Trends in the Next-Generation Food Service Industry In Response to the After COVID: The Trend of Contactless Restaurants"
3. Source: Yano Research Institute, "White Paper on Distribution and Retail Market 2022"

UI/UX renewal

- ✓ UI/UX renewal planned during Summer 2023
- ✓ Upgrade includes improvement of overall visual and introduction of search tab

1 Highly visible menu listing

2 Search tabs and expanded content

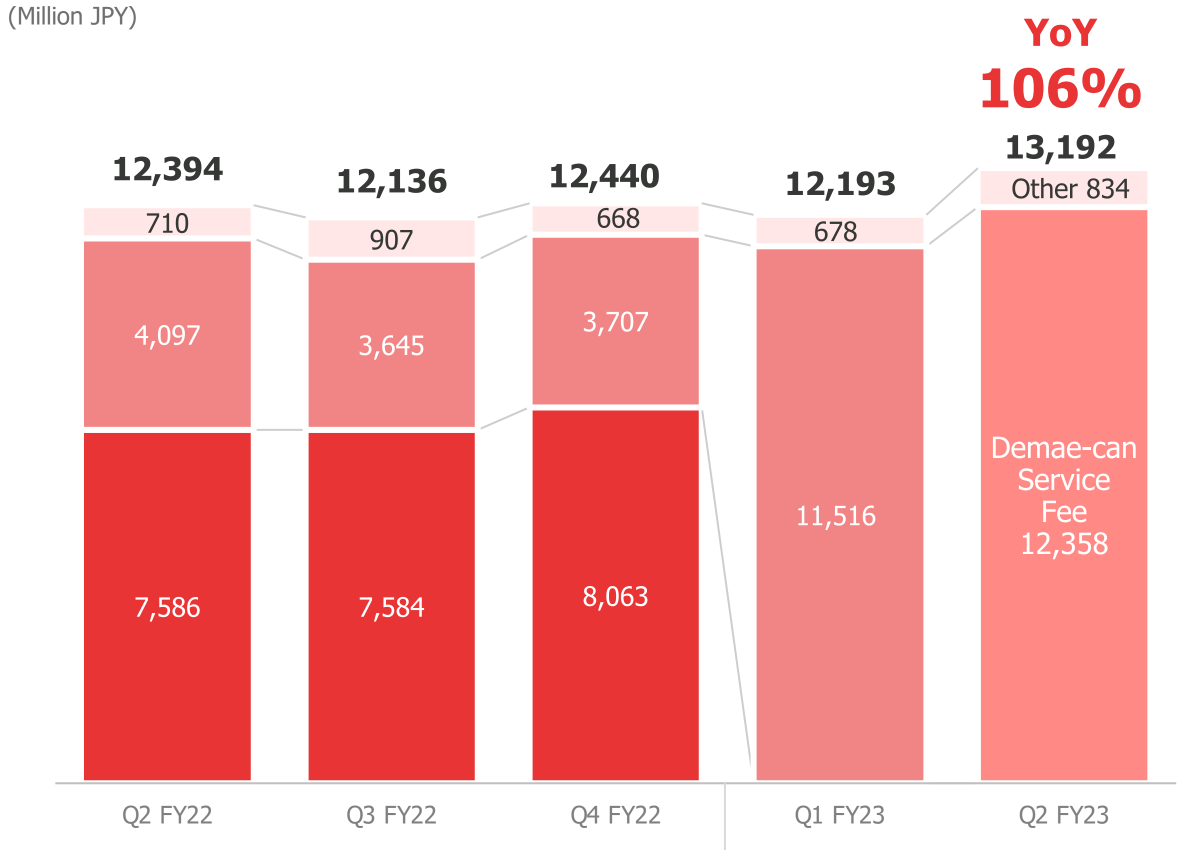
3 Enhancement of recommendations by expanding menu genre

Financial Highlights

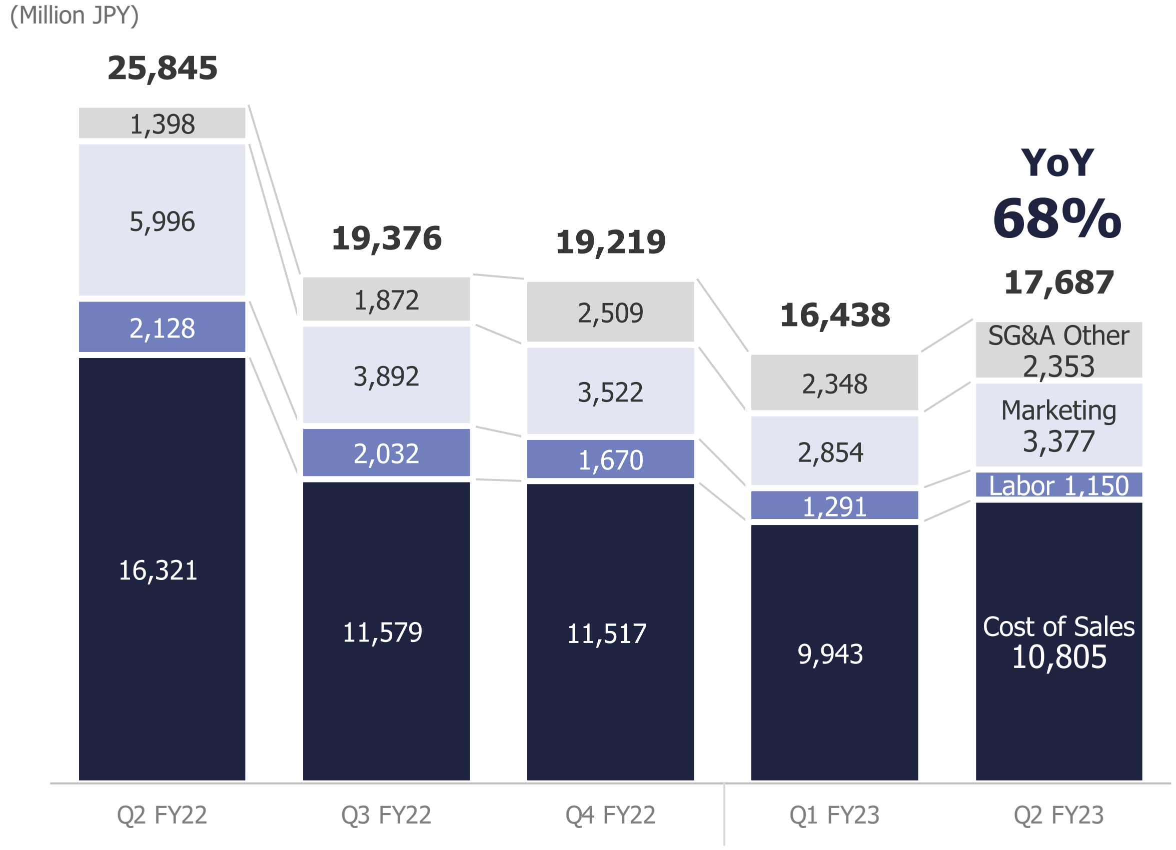
Revenue/Operating Cost

- ✓ Sales grew to 106% YoY due to higher ratio of Sharing Delivery orders
- ✓ Operating expenses declined 68% YoY due to optimization of compensation per delivery and control of marketing expenses

Revenue



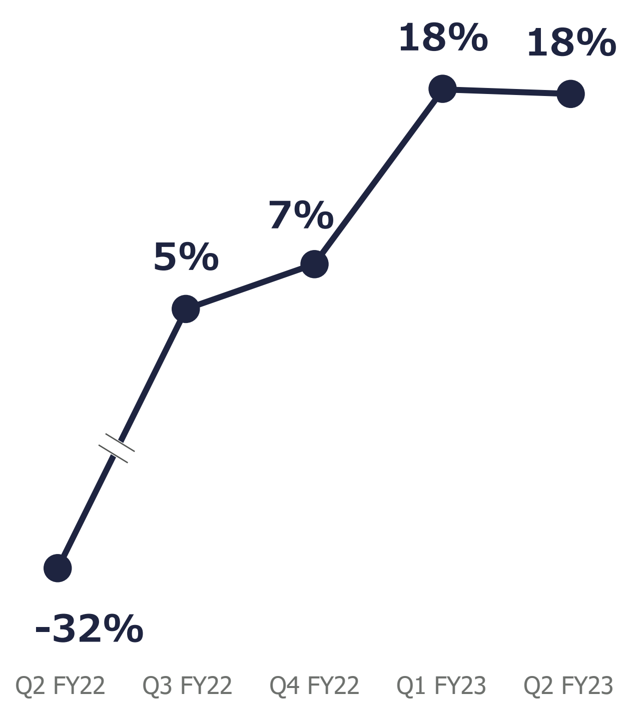
Operating Cost



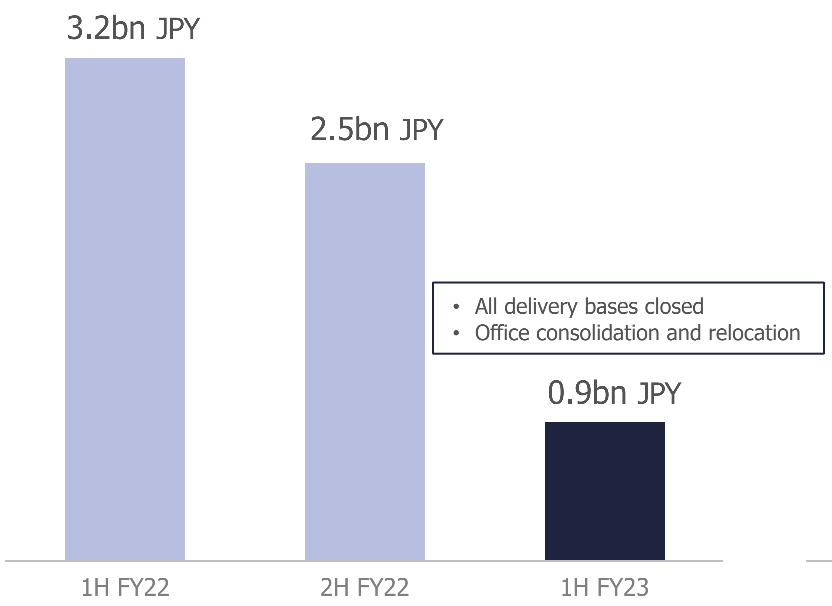
Decreasing Operating Expenses

- ✓ Lower fixed cost; office relocations and closing of delivery bases
- ✓ Marketing expenses controlled at 8% of GMV. Marketing ROI improving

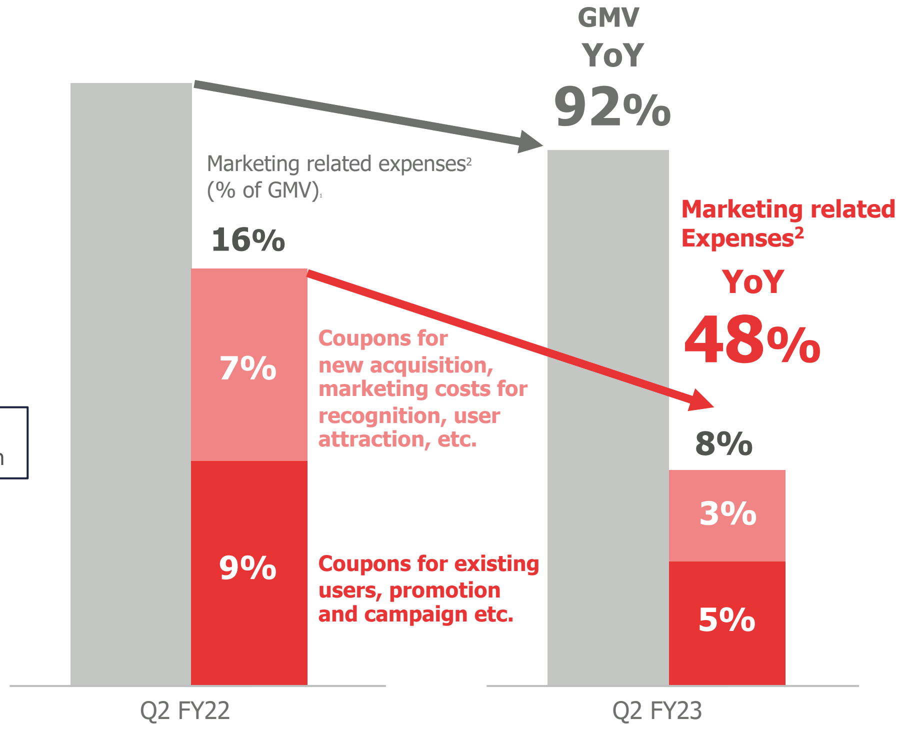
Gross margin



Costs related to delivery bases and offices[1] (Reduction in fixed costs)



Marketing ROI improving



1. Total of part-time labor costs, equipment costs such as bicycles and motorcycles, base rent, head office rent, and utilities, etc.
2. Include marketing cost plus delivery discounts

Earnings forecast revisions

- ✓ Change in macro environment due to inflation and lower consumption impacting delivery demand
- ✓ Revised FY8/2023 GMV forecast to 200bn and sales to 50bn. Operating Profit revised to (17.0bn) due to proactive cost reduction

	Initial Forecast	Revised Forecast
GMV	231.0 – 242.0 bn (YoY 105 – 110%)	200.0 bn (YoY 91%)
Net Sales	58.0 – 62.0 bn (YoY 123 – 131%)	50.0 bn (YoY 106%)
Operating Profit	(21.0) – (19.0 bn)	(17.0 bn)

Appendix

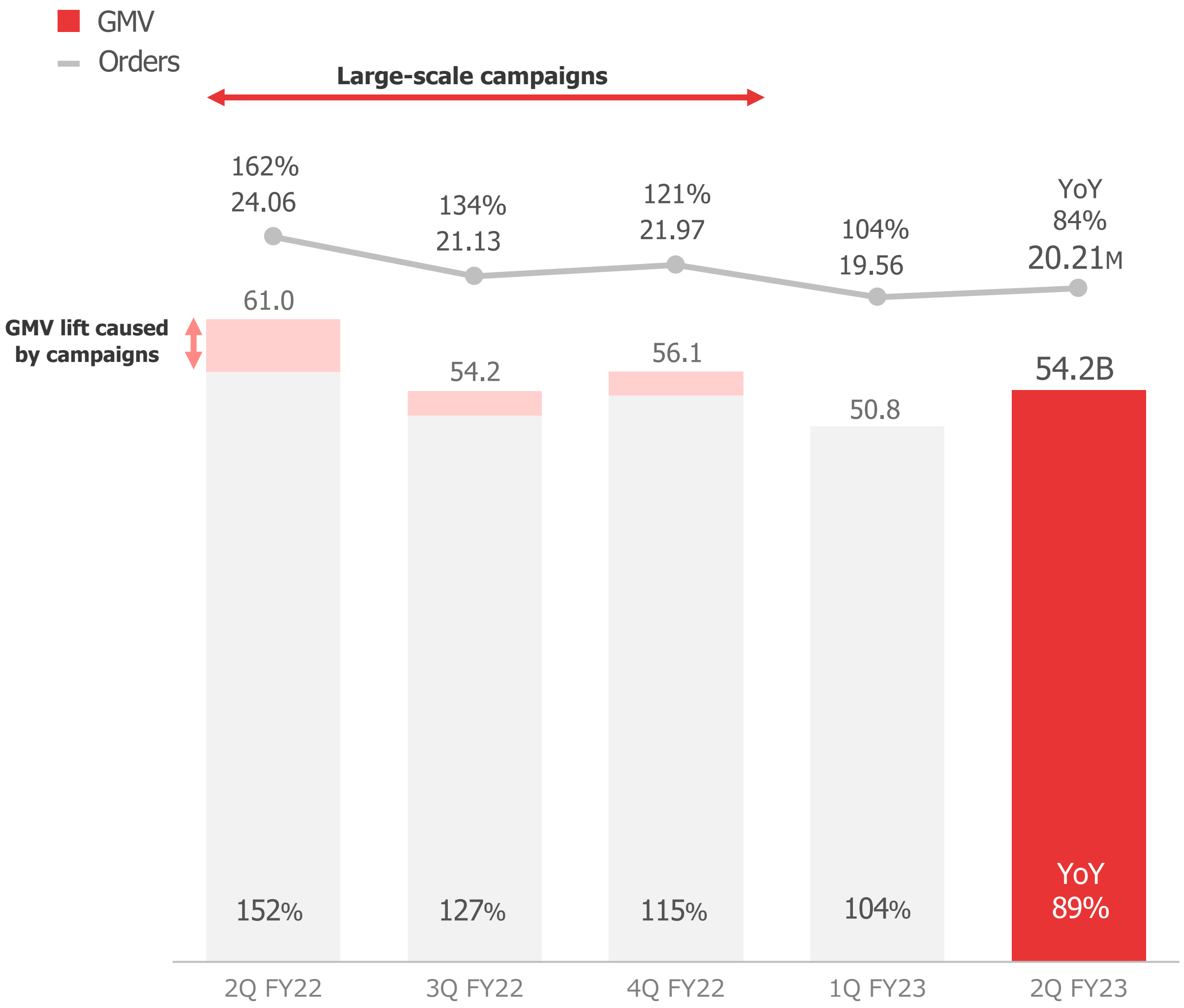
Summary of Consolidated Income Statement

(Million JPY)	FY 8/2022				FY 8/2023			
	Q1	Q2	Q3	Q4	Q1	Q2	YoY	QoQ
Net Sales	**10,342**	**12,394**	**12,136**	**12,440**	**12,193**	**13,192**	**106.4%**	**108.2%**
Demae-can Service Fee	3,389	4,097	3,645	3,707	11,516	12,358	-	107.3%
Delivery Commission	6,371	7,586	7,584	8,063				
Other	582	710	907	668	678	834	117.2%	123.3%
Cost of Sales	**9,805**	**16,321**	**11,579**	**11,517**	**9,943**	**10,805**	**66.2%**	**108.7%**
SG&A	**9,509**	**9,523**	**7,796**	**7,702**	**6,494**	**6,881**	**72.3%**	**106.0%**
Labor	2,391	2,128	2,032	1,670	1,291	1,150	54.0%	89.1%
Marketing	5,135	5,996	3,892	3,522	2,854	3,377	56.3%	118.3%
Other	1,982	1,398	1,872	2,509	2,348	2,353	168.3%	100.2%
Operating Profit	**(8,972)**	**(13,450)**	**(7,239)**	**(6,779)**	**(4,244)**	**(4,494)**	**-**	**-**

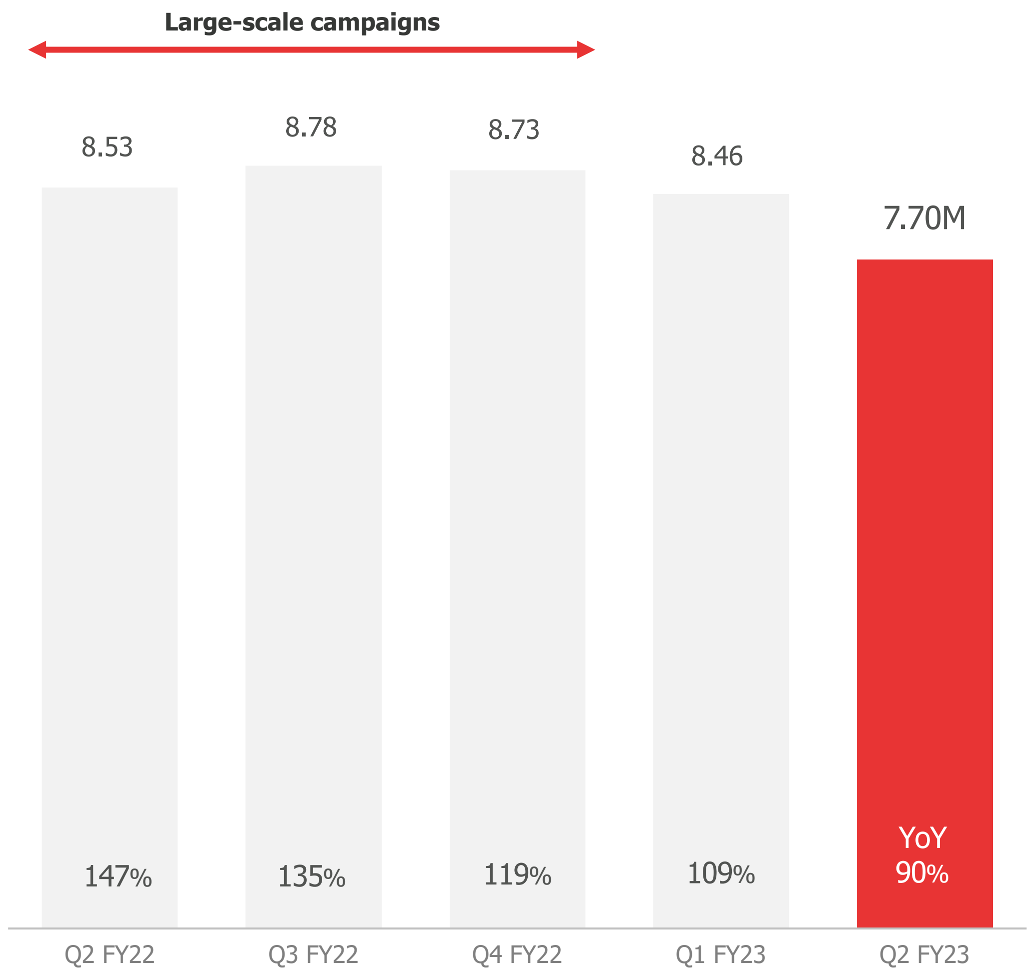
1. Accounting treatment of part of sales promotion expenses for users, etc., which were recorded in selling, general and administrative expenses, has been changed to reduce from the transaction price since Q1 FY22

Major KPIs（Quarterly）

GMV / Orders



Active Users



GMV (Gross Merchandise Value): item price + delivery fee before discount + other user fees
Active Users: users who placed more than one order within the last twelve months (unique users); as of the end of quarter

Change of Business Model

	① Sharing Delivery Startup Phase (before 2019)	② Delivery Ecosystem Expansion Phase (2020~2022)	③ Going forward (2023~)
Business model	Matching Platform	Expansion of Sharing Delivery Ecosystem	Delivery Platform
GMV by delivery model	**Q1 FY17** **Delivery by Merchant 100%**	**Q1 FY21** **Merchant 80%** **Sharing Delivery 20%**	**Q2 FY23** **Merchant 44%** **Sharing Delivery (Delivery by Demaecan) 56%**
Sharing Delivery Riders	• In-house Riders (part-timer) and partners (Initial phase of Sharing Delivery)	• In-house Riders • Outsource Riders (outsourcing)	Closure of all delivery bases completed • Outsource Riders only

Change of P&L Model

		1 Sharing Delivery Startup Phase (before 2019)	2 Delivery Ecosystem Expansion Phase (2020~2022)	3 Going forward (2023~)
Revenue	**Merchant Commission**[1]	Merchant: 5% SD: N/A	Merchant: 10% SD: 10%+25%	Merchant: 10% SD: 35%
	Category	Demae-can Service Fee	Demae-can Service Fee **Ecommerce Sales**[2] Delivery Commission **Delivery Sales**[3]	Demae-can Service Fee (consolidated)
Delivery Cost	**Riders · Cost Item**	In-house Riders **SG&A** **(Labor cost for part-timers)**	In-house Riders **SG&A** Outsource Riders **Cost of Sales** **Delivery Cost**	Outsource Riders only **Cost of Sales** **(Outsourcing cost)**
	KPI	**Orders**	**Ecommerce / Delivery P&L**	**Gross Profit**

1. Face value offered to merchants
2. In addition to Demae-can Service fee, other sales (advertising, payment agency fees, etc.) are included
3. Includes user delivery fee in addition to delivery commission

Thank you