

Demaecan

FY 8/2023 1st Quarter Results

January 11, 2023

Business Highlights

Q1 FY8/2023 KPI Progress

- **All major KPIs achieved growth over last year**
 - GMV¹ : JPY 50.8 billion YoY 104%
 - Orders: 19.56 million YoY 104%
 - Active Users²: 8.46 million YoY 109%

Strategy Review

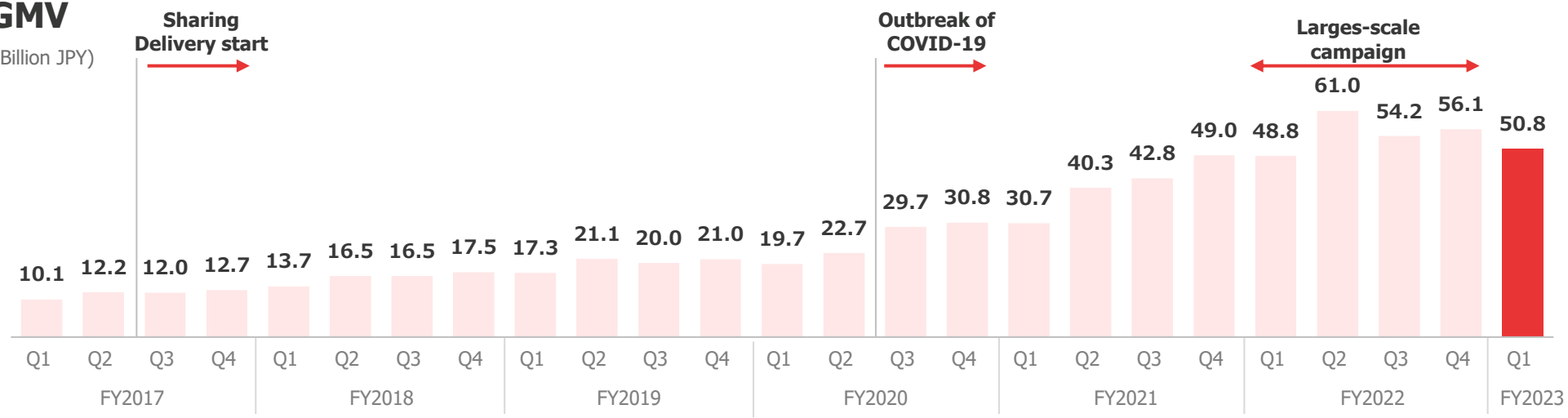
- Fundamental service and product improvements enhancing CVR and delivery experience
- New delivery opportunities expanding the delivery market
- Gross margin improved 11pts (QoQ) to 18% through cost optimization

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

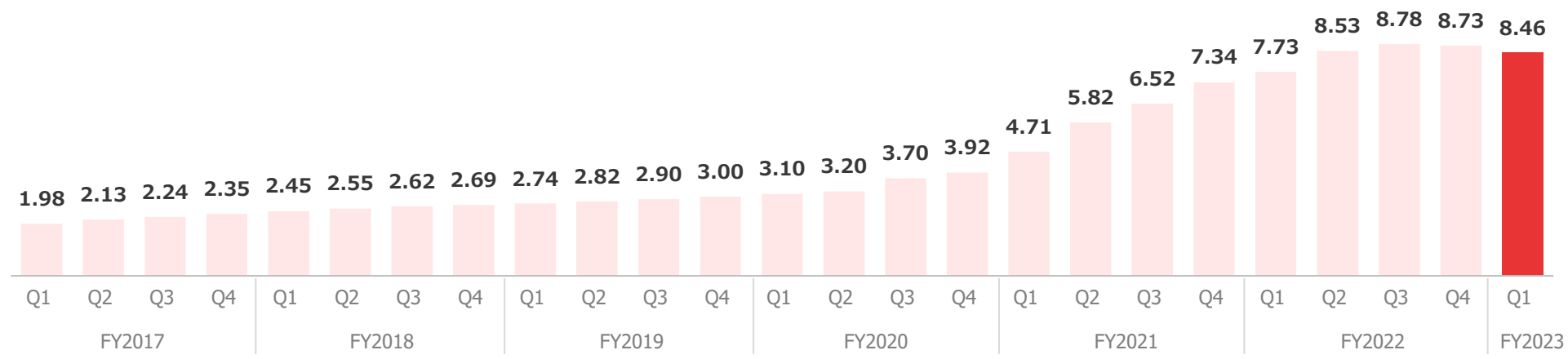
(Billion JPY)



104%
(Q1FY23 YoY)

Active Users

(Million)

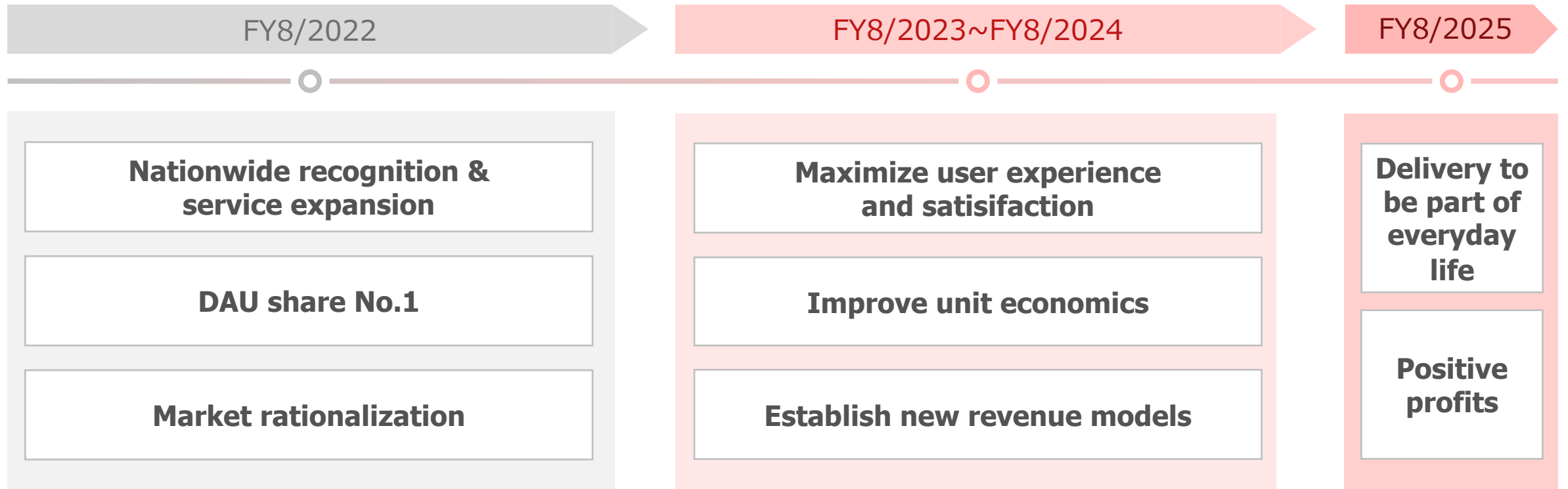


109%
(Q1FY23 YoY)

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 the quarter

Strategic Priorities

- ✓ Enhance service quality and experience; to be the platform of choice from users, riders, and merchants
- ✓ Improve unit economics and achieve profitability in FY8/2025



User



- **Improved ordering experience**
- **Improved frequency**
- **New delivery opportunities**

Delivery



- **Improved delivery experience**

Merchant

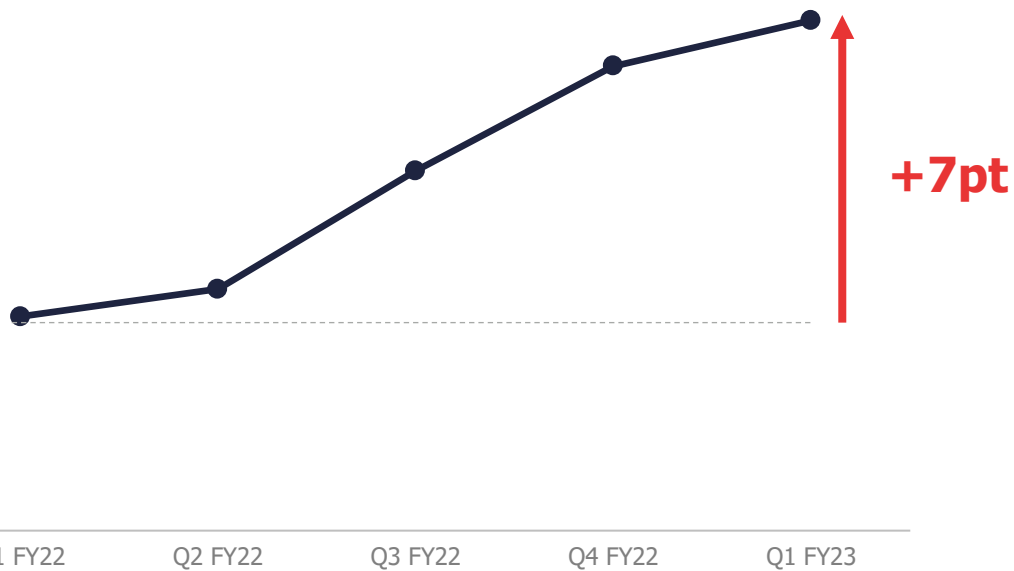


- **Expansion of merchant-driven promotion**

Improved Ordering Experience

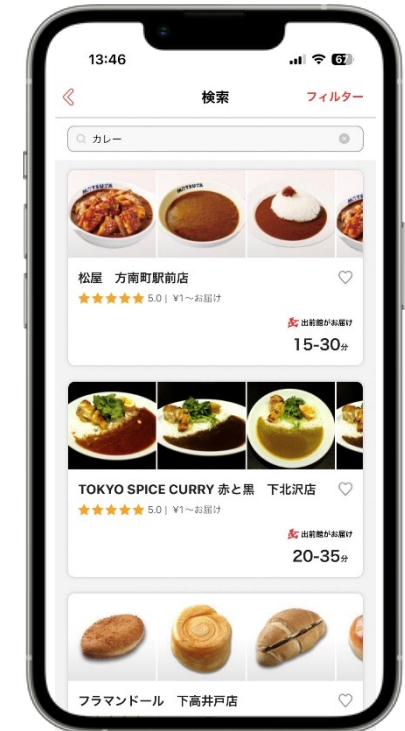
- ✓ Steady improvement in CVR through ongoing product improvements; such as search and recommendation
- ✓ Focused on improving the ordering experience by enhancing the usability

Improvement of CVR¹



Key initiatives

- 1 Updated search UI & upgraded engine
- 2 Improved recommendation accuracy utilizing machine learning

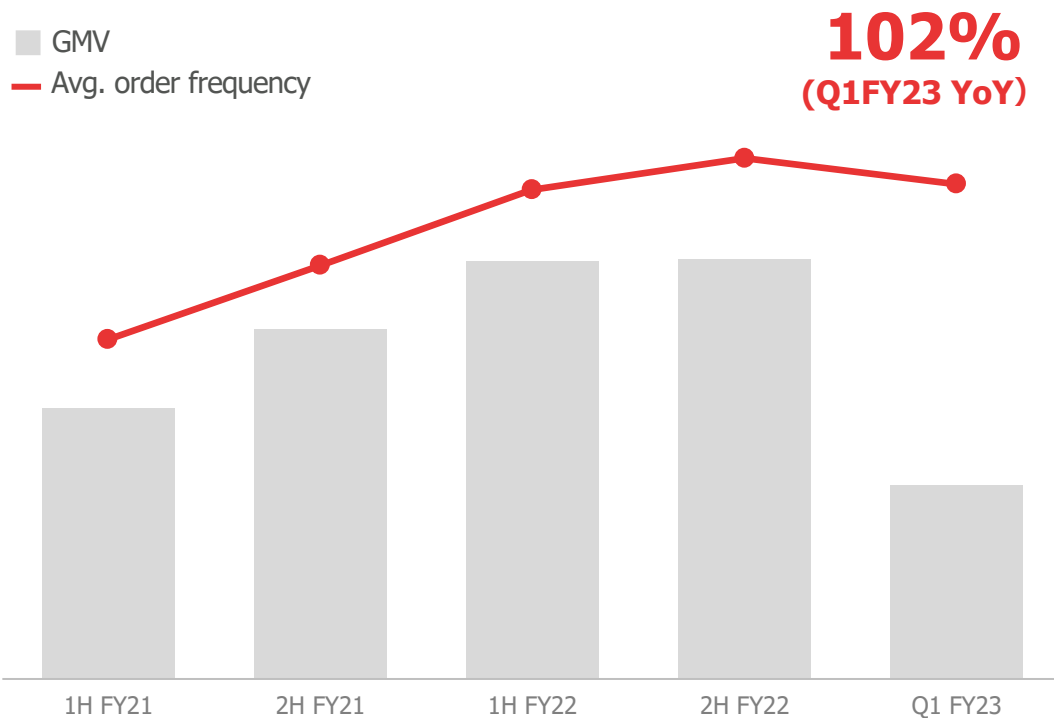


1. Number of app orders per sessions. Monthly figures at the end of the period

Improved Frequency

- ✓ Order frequency up 102% YoY
- ✓ Product improvement, effective marketing, additional delivery opportunities, etc. will further increase frequency

Avg. order frequency improvement



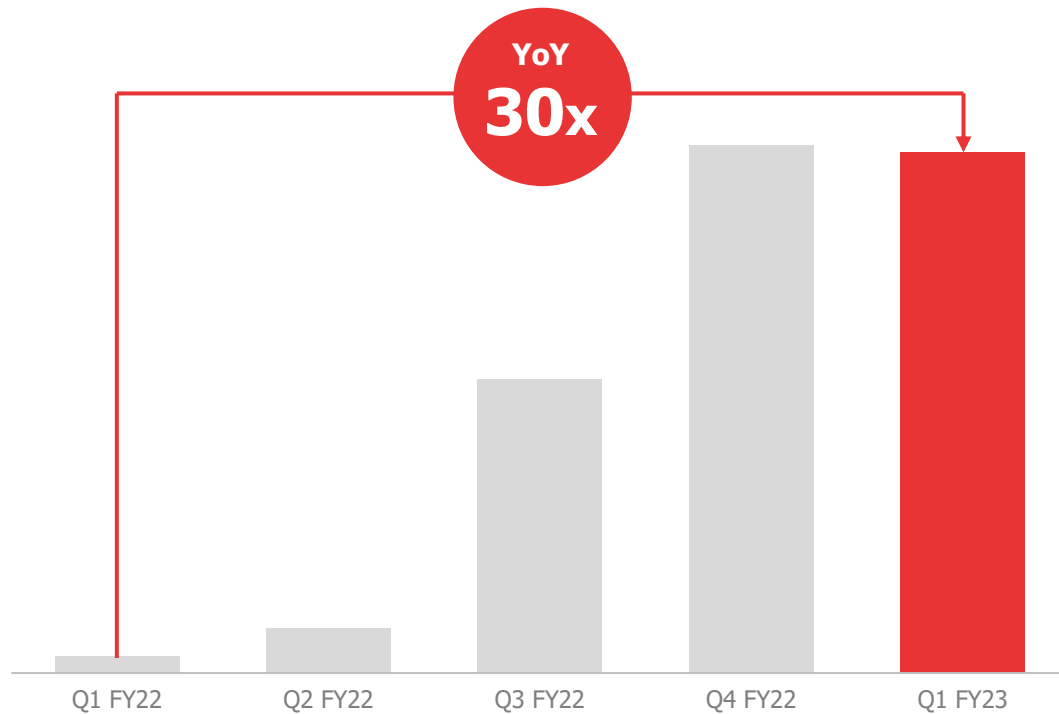
Key initiatives

- 1 Updated search & improved recommendation accuracy
- 2 Loyalty program
- 3 Enhanced targeted marketing using data
- 4 Additional delivery opportunities
- 5 Longer operating hours

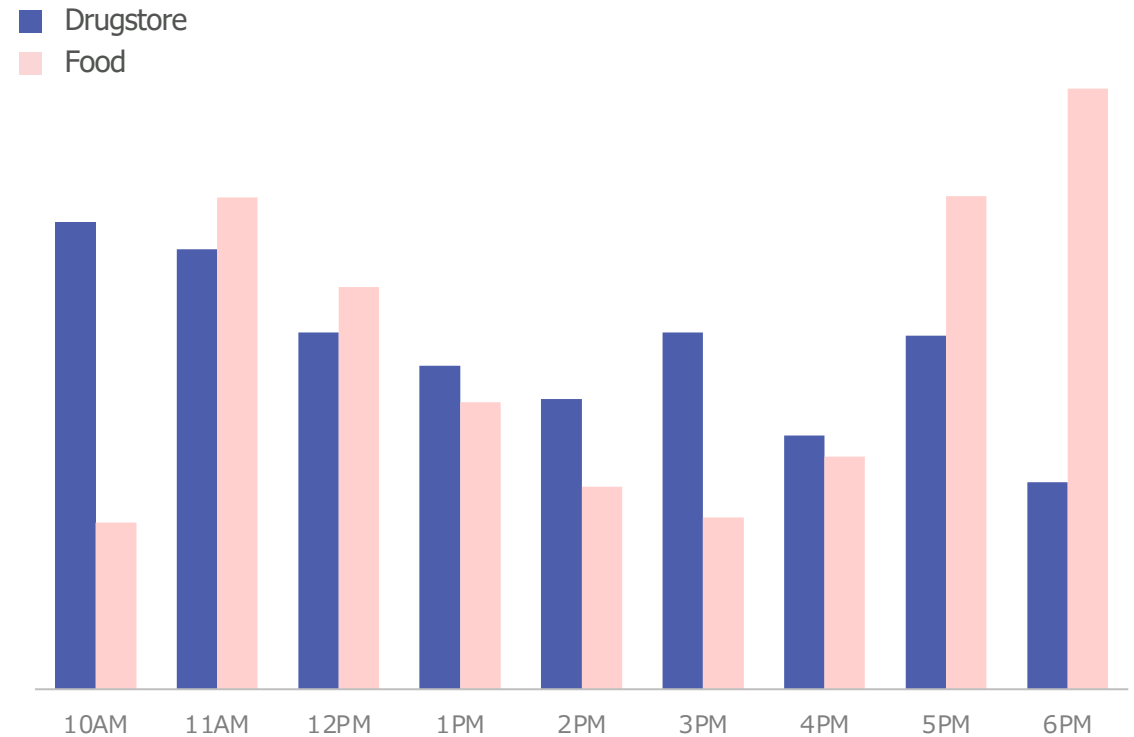
New Delivery Opportunities

- ✓ GMV during early morning hours increased approximately 30x YoY as merchant expand delivery operating hours
- ✓ Non-food categories provides additional delivery opportunity to users. Drugstore orders showing different order trend

GMV expansion in the early morning (7~9AM)



Drugstore & food order trend distribution¹

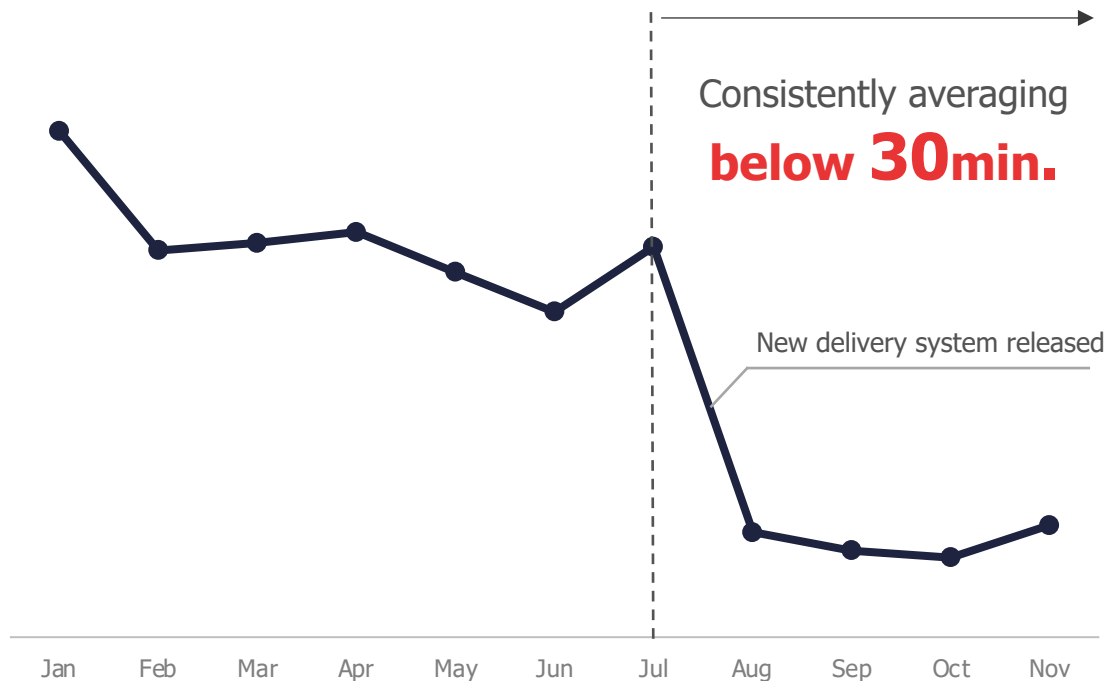


1. Trend of orders by hours of the day (10AM to 7PM) during Oct. 1st 2022~Nov. 30th 2022

Improved Delivery Experience

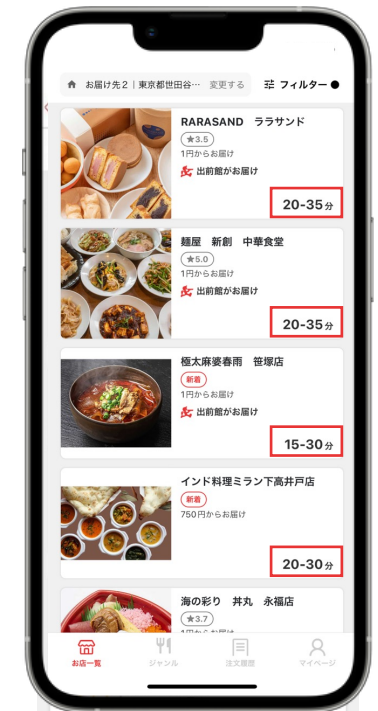
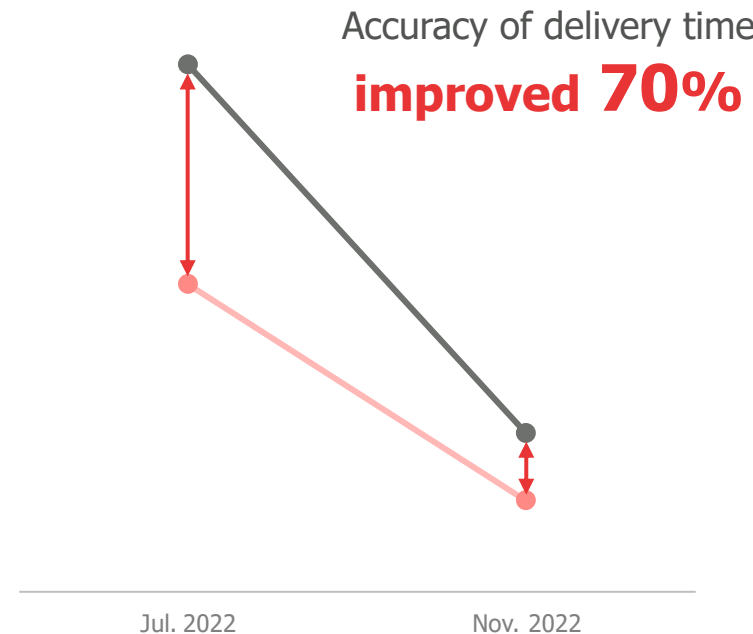
- ✓ Delivery time continues to average below 30 min. after the release of the new delivery system
- ✓ Refining the matching logic and machine learning improved the accuracy of delivery time

Shorter delivery time



Improved accuracy of displayed waiting time

- Avg. displayed waiting time
- Avg. actual delivery time

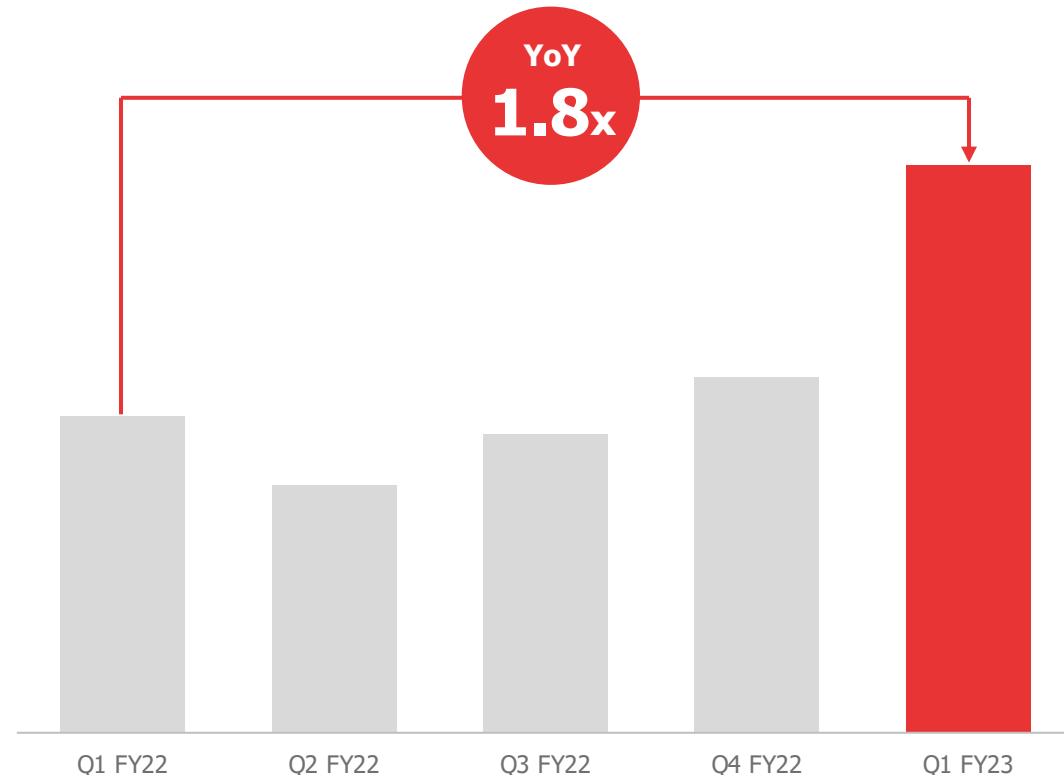
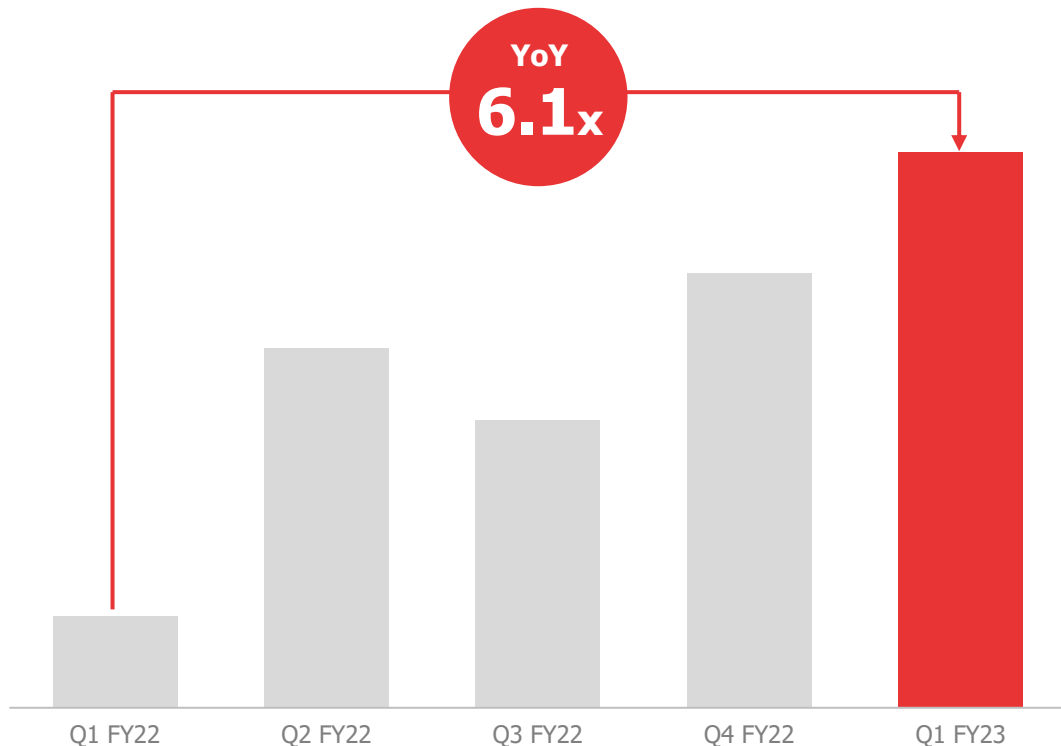


Expansion of Merchant-driven Promotion

- ✓ More SMB merchants issuing coupons, resulting in 6x increase in GMV
- ✓ Steady growth in advertising sales

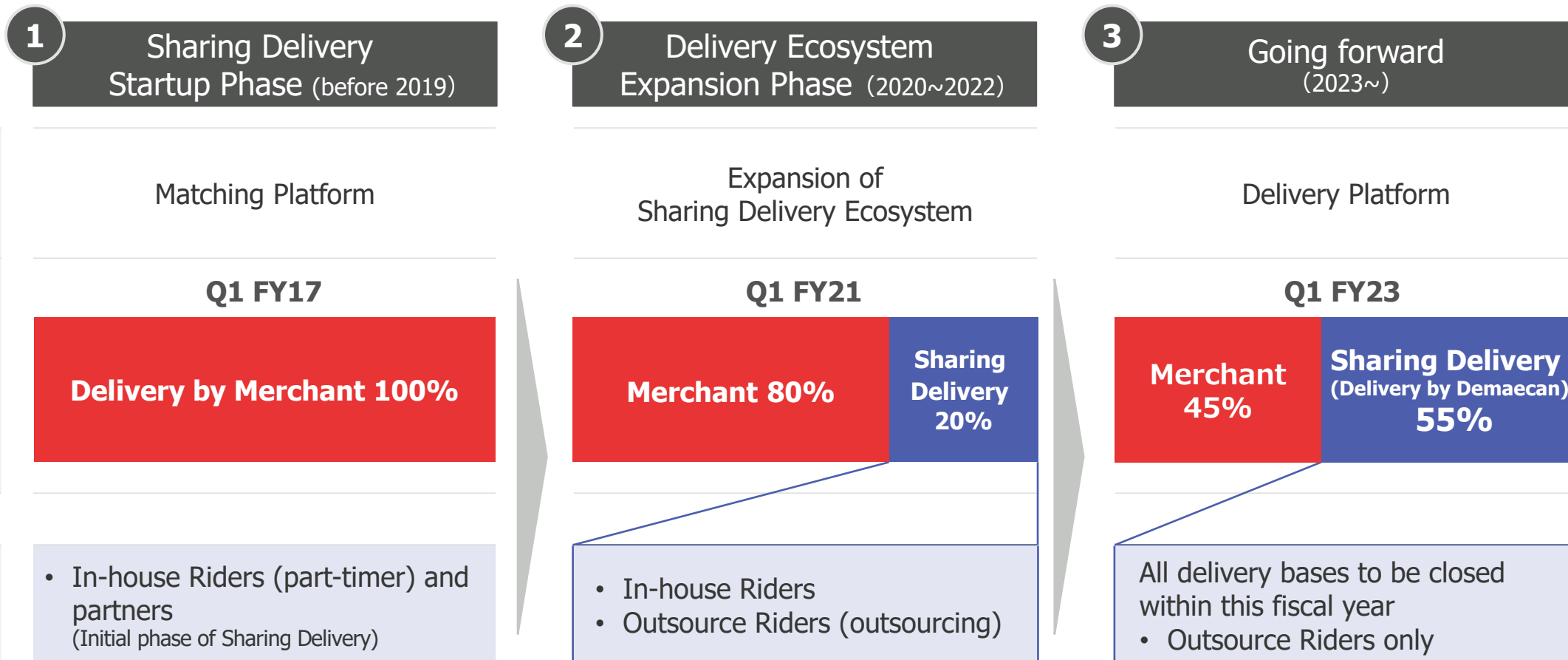
GMV via merchant-issued coupon increasing

Expansion of advertising sales



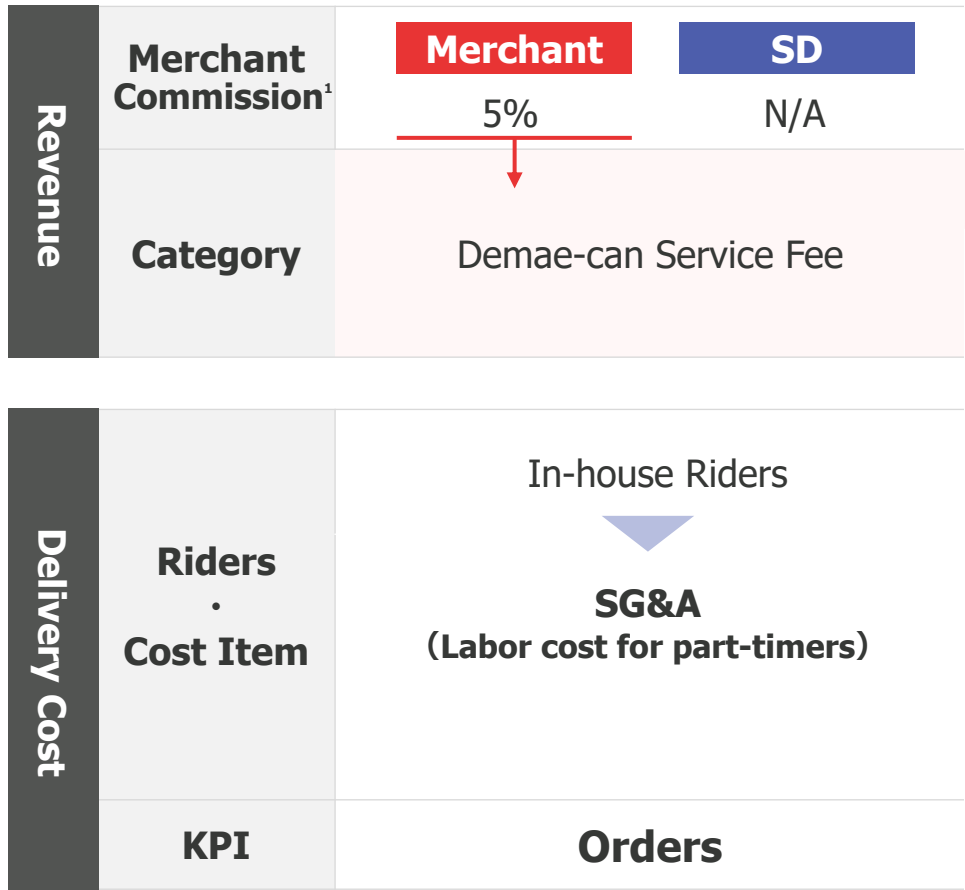
Financial Highlights

Change of Business Model

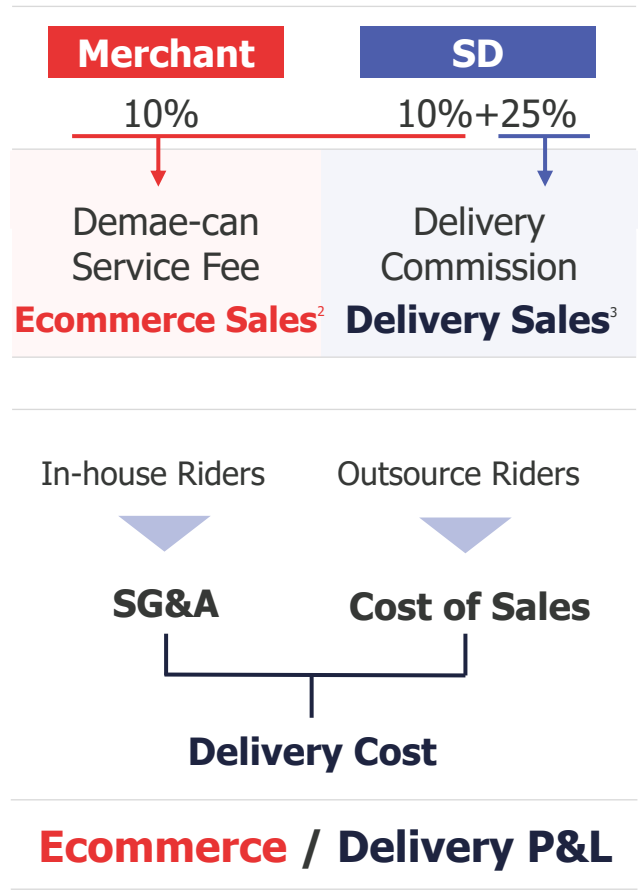


Change of P&L Model

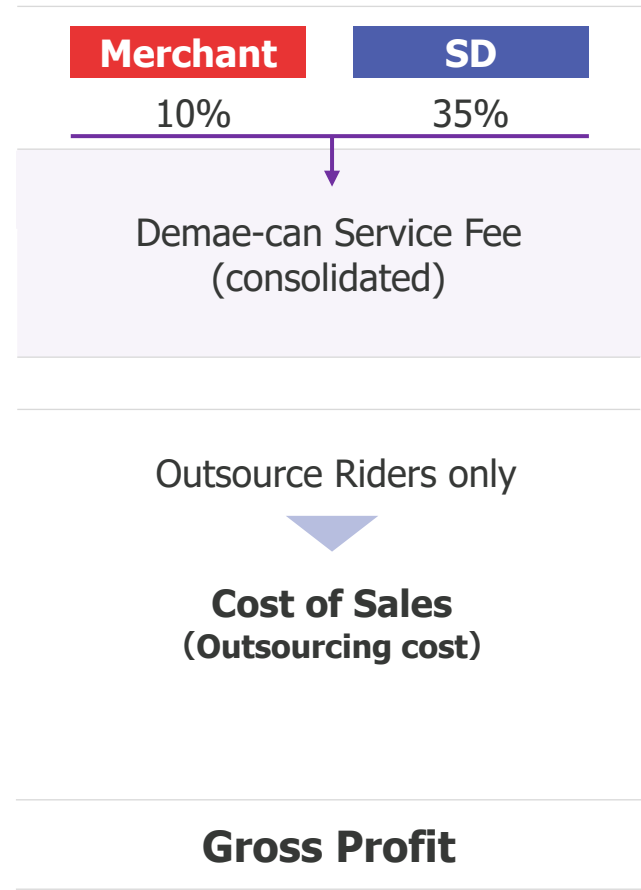
1 Sharing Delivery Startup Phase (before 2019)



2 Delivery Ecosystem Expansion Phase (2020~2022)



3 Going forward (2023~)



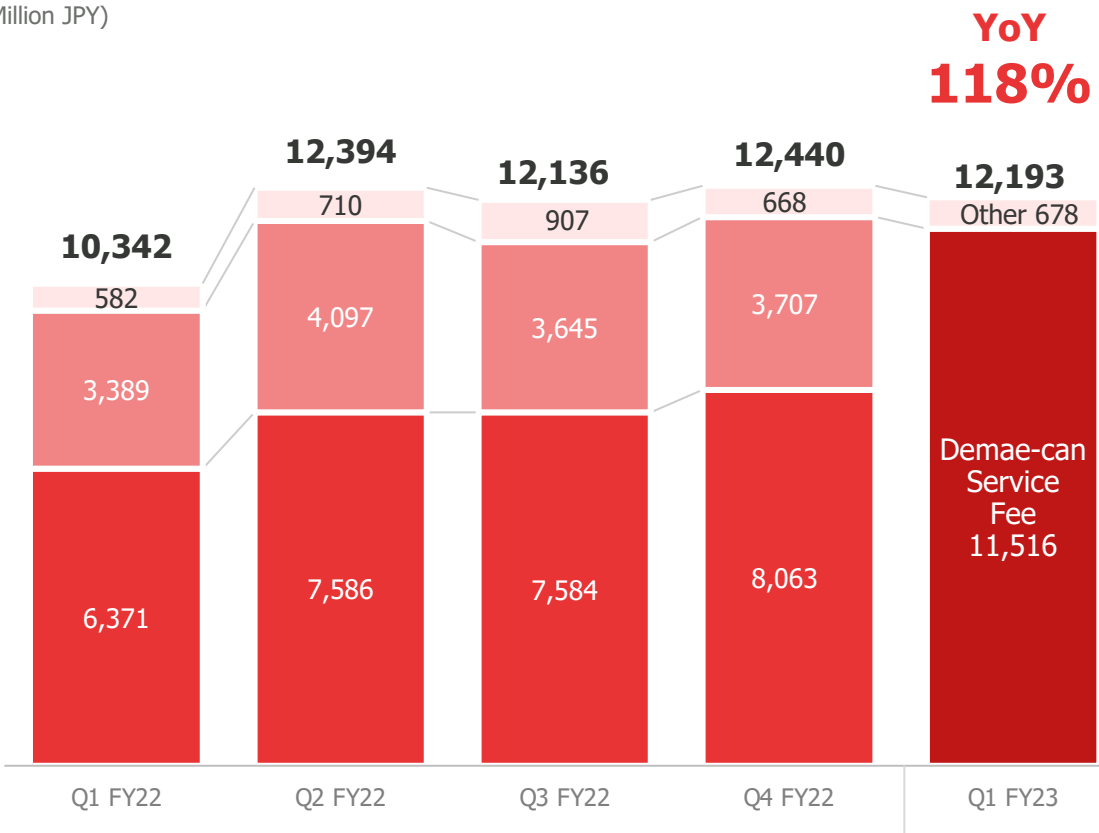
1. Face value offered to merchants
 2. In addition to Demae-can Service fee, other sales (advertising, payment agency fees, etc.) are included
 3. Includes user delivery fee in addition to delivery commission

Revenue/Operating Cost

- ✓ Revenue grew 118% YoY due to an increase in Sharing Delivery orders
- ✓ Operating cost declined 85% YoY due to optimization of cost per delivery and control of advertising expenses

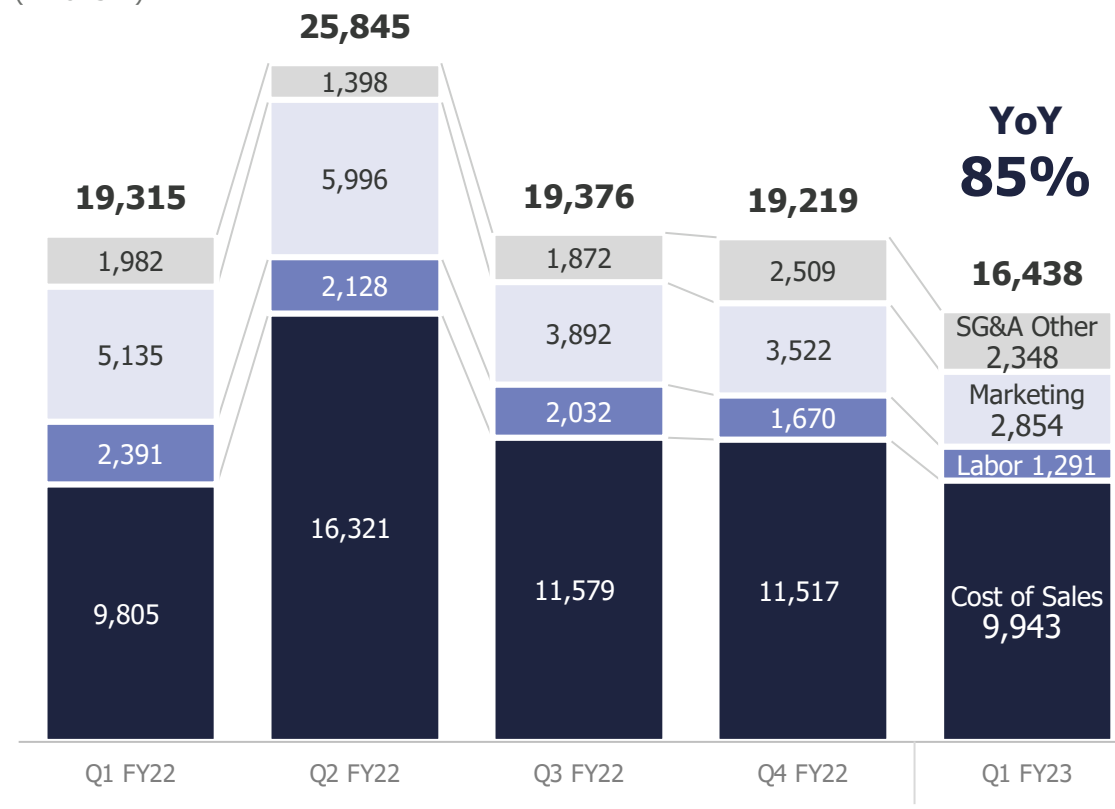
Revenue

(Million JPY)



Operating Cost

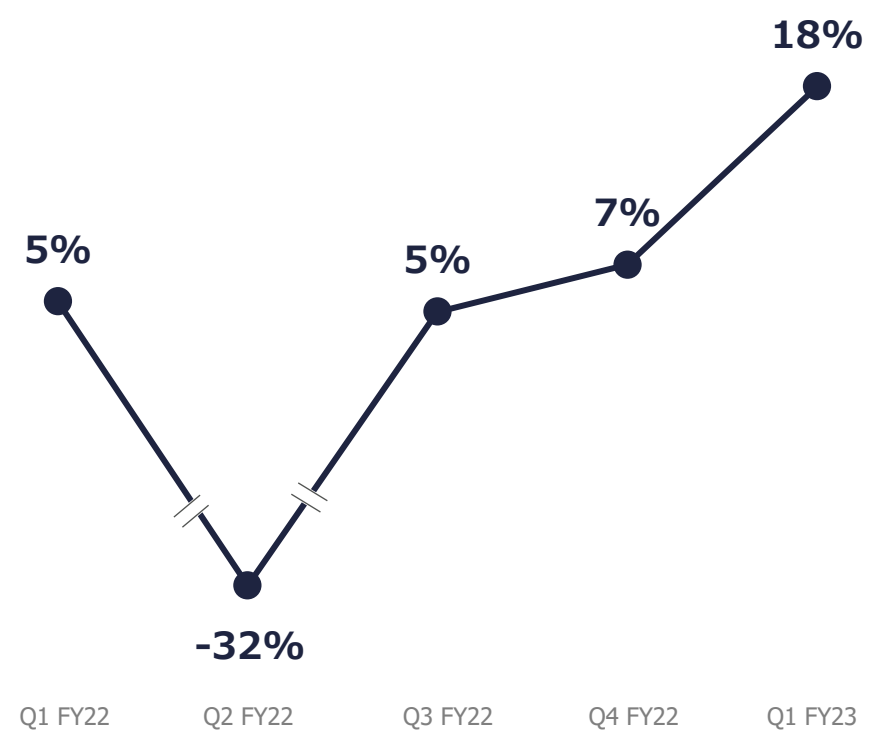
(Million JPY)



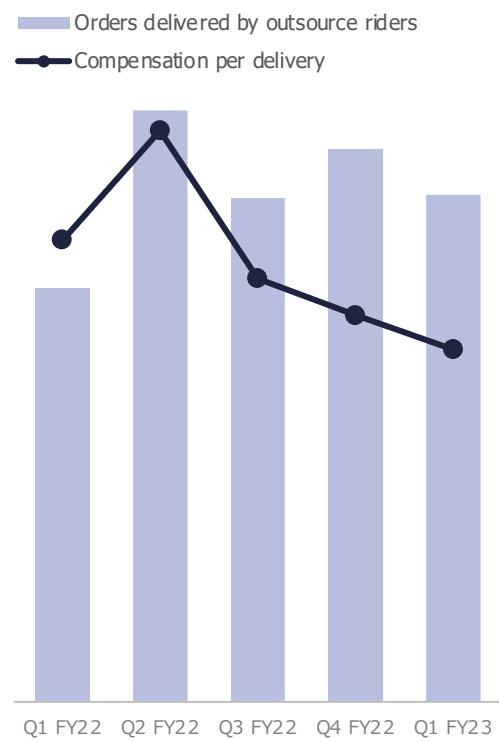
Gross Margin Improvement

- ✓ Shortened delivery time and sufficient riders improving delivery efficiency
- ✓ Gross profit margin improved significantly due to optimization of delivery compensation

Gross margin improvement



Cost per delivery



Current Initiatives

- Sufficient riders
- Shortened time

Next Initiatives

- Reduce idle time
- Dynamic pricing
- Multiple picks, etc.

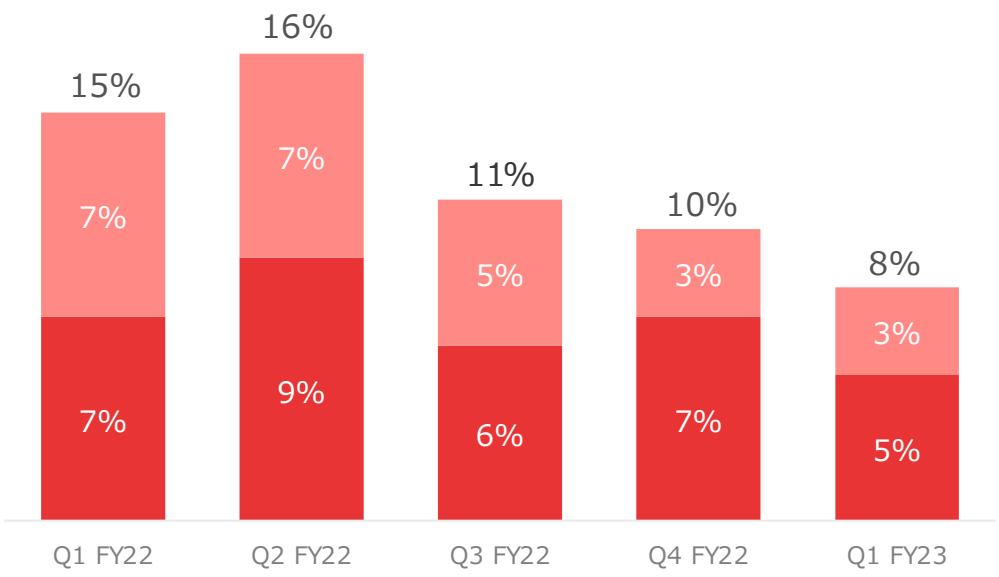
**Improved delivery efficiency,
Optimization of delivery compensation**

Other Cost Details

- ✓ Advertising expenses are controlled at 8% of GMV. Optimizing investment efficiency while focusing on repeat and retention
- ✓ Reduce fixed costs relating to in-house delivery during this fiscal year

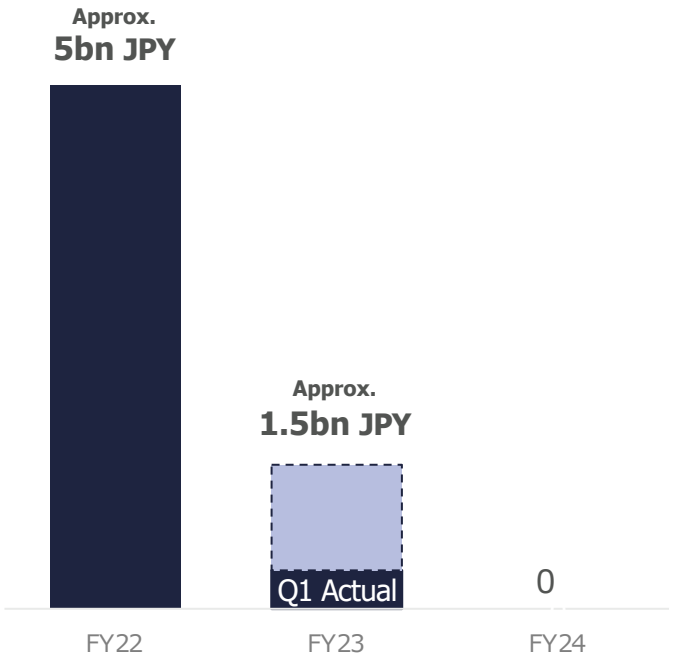
Breakdown of marketing related expenses¹ (% of total GMV)

- Coupons for new acquisition, marketing costs for recognition, user attraction, etc.
- Coupons for existing users, promotion and campaign etc.



Reduction of fixed costs by closing delivery bases

Part-time labor costs, equipment, and rent, etc.



Other costs

Initial investment area for this fiscal year

- Product/system revamp
- Customer support renewal

1. Marketing + Delivery fee discount

Appendix

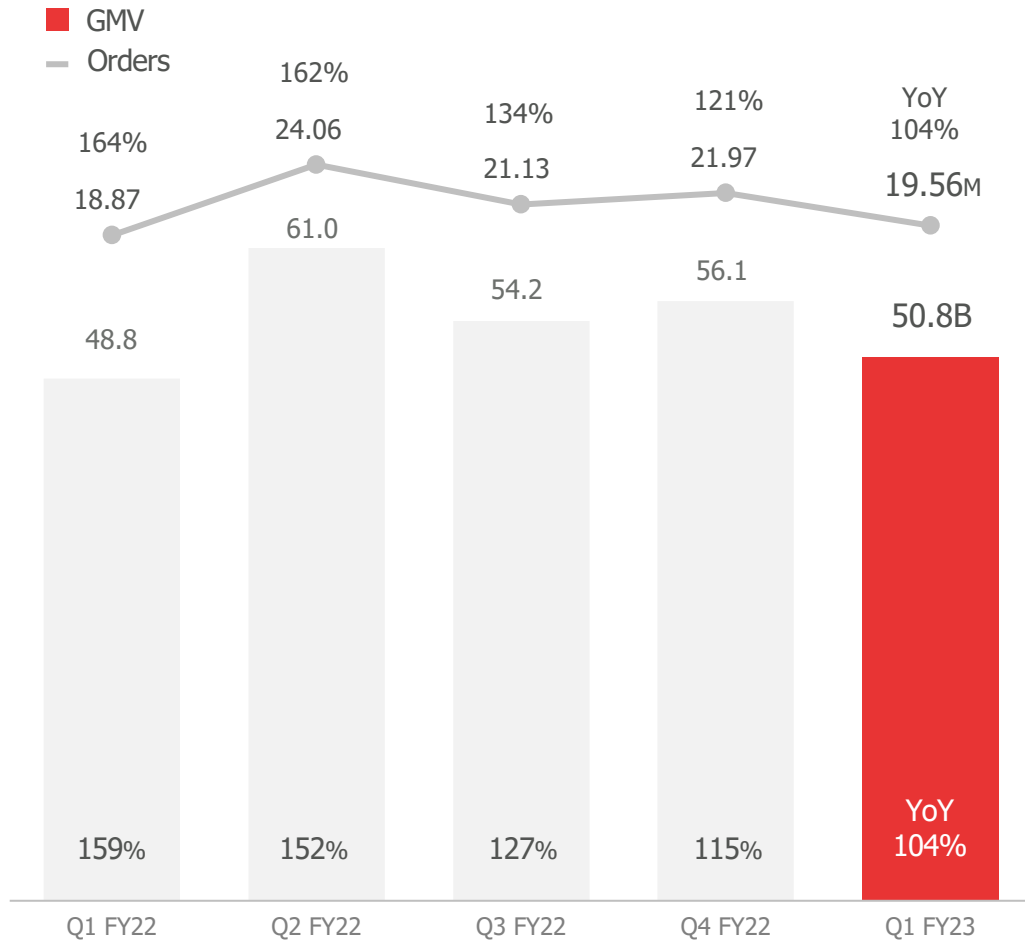
Summary of Consolidated Income Statement

| (Million JPY) | FY 8/2022 | | | | FY 8/2023 | | |
|-------------------------|----------------|-----------------|----------------|----------------|----------------|---------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | YoY | QoQ |
| Net Sales | 10,342 | 12,394 | 12,136 | 12,440 | 12,193 | 117.9% | 98.0% |
| Demae-can Service Fee | 3,389 | 4,097 | 3,645 | 3,707 | 11,516 | - | - |
| Delivery Commission | 6,371 | 7,586 | 7,584 | 8,063 | | | |
| Other | 582 | 710 | 907 | 668 | 678 | 116.5% | 101.4% |
| Cost of Sales | 9,805 | 16,321 | 11,579 | 11,517 | 9,943 | 101.4% | 86.3% |
| SG&A | 9,509 | 9,523 | 7,796 | 7,702 | 6,494 | 68.3% | 84.3% |
| Labor | 2,391 | 2,128 | 2,032 | 1,670 | 1,291 | 54.0% | 77.3% |
| Marketing | 5,135 | 5,996 | 3,892 | 3,522 | 2,854 | 55.6% | 81.0% |
| Other | 1,982 | 1,398 | 1,872 | 2,509 | 2,348 | 118.5% | 93.6% |
| Operating Profit | (8,972) | (13,450) | (7,239) | (6,779) | (4,244) | - | - |

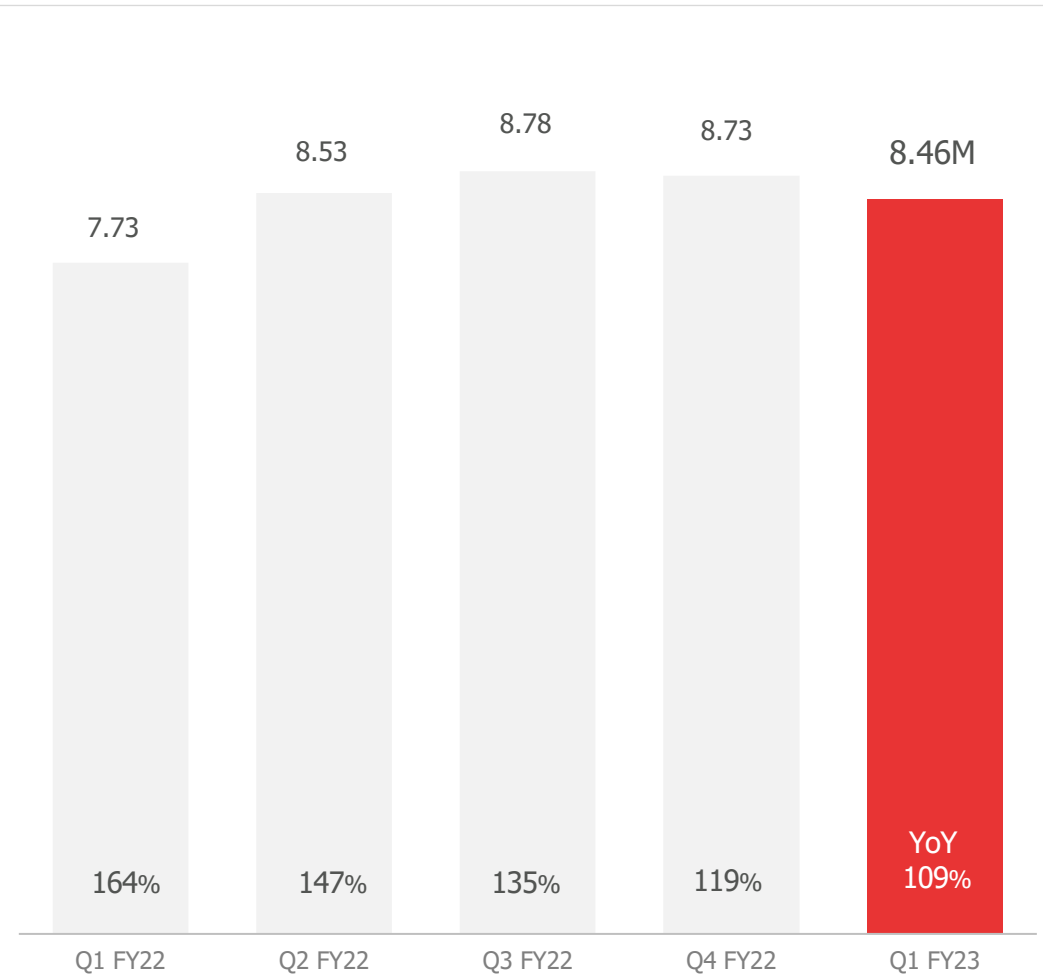
1. Accounting treatment of part of sales promotion expenses for users, etc., which were recorded in selling, general and administrative expenses, has been changed to reduce from the transaction price since Q1 FY22

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

Thank you 

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