



October 14, 2022

Consolidated Financial Results for the Year Ended August 31, 2022

Name of Company Demae-can Co., Ltd
 Stock exchange JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
 URL <https://corporate.demaecan.com/en/>
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Scheduled ordinary general meeting of shareholders November 29, 2022
 Scheduled start of dividend payment -
 Scheduled release of fiscal year 8/2022 business report November 30, 2022

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, 2022

(1) Operating results

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

	Year ended			
	August 31, 2021		August 31, 2022	
		%		%
Net sales (Millions of yen)	28,954	180.7	47,314	63.4
Operating profit (Millions of yen)	(19,157)	-	(36,442)	-
Ordinary profit (Millions of yen)	(19,148)	-	(36,595)	-
Profit attributable to owners of parent (Millions of yen)	(21,869)	-	(36,218)	-
Profit per share (Yen):				
Basic	(265.99)		(284.54)	
Diluted	-		-	
Return on equity (%)	(125.1)		(119.2)	
Ordinary income to total assets (%)	(68.7)		(81.7)	
Operating income to net sales (%)	(66.2)		(77.0)	
Comprehensive income:	Year ended August 31, 2022: (36,244) million yen, - %			
	Year ended August 31, 2021: (21,858) million yen, - %			
Profit/loss on equity method:	Year ended August 31, 2022: 89 million yen			
	Year ended August 31, 2021: 15 million yen			

(2) Financial position

	As of	
	August 31, 2021	August 31, 2022
Total assets (Millions of yen)	20,380	69,190
Total net assets (Millions of yen)	6,875	54,225
Equity ratio (%)	32.2	78.4
Net assets per share (Yen)	79.73	411.78
Equity:	54,215 million yen (as of August 31, 2022)	
	6,555 million yen (as of August 31, 2021)	

(3) Cash flows

	Year ended	
	August 31, 2021	August 31, 2022
Cash flows from operating activities	(16,419)	(39,986)
Cash flows from investing activities	(2,346)	50
Cash flows from financing activities	(3)	83,001
Cash and cash equivalents at end of period	10,196	53,262

2. Dividends

	Year ended August 31, 2021	Year ended August 31, 2022
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)	0.00	0.00
Annual dividends per share (Yen)	0.00	0.00
Total dividends (Millions of yen)	-	-
Payout ratio (%)	-	-
Dividend on equity (%)	-	-

Note: The forecast dividends for the fiscal year ending August 31, 2023 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, 2023

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

	Year ending August 31, 2023	
		%
GMV (Billions of yen)	231-242	5-10
Sales (Billions of yen)	58-61	22.6-31.0
Operating profit (Billions of yen)	(21-19)	

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: Yes
 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, 2022:	131,755,230 shares
As of August 31, 2021:	85,486,500 shares
 2. Number of shares of treasury shares

As of August 31, 2022:	91,587 shares
As of August 31, 2021:	3,267,074 shares
 3. Average number of shares outstanding

As of August 31, 2022:	127,418,601 shares
As of August 31, 2021:	82,217,782 shares

(Reference) Overview of Non-consolidated Financial Results
Non-consolidated Results for the Year ended August 31, 2022

(1) Operating results

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

	Year ended			
	August 31, 2021		August 31, 2022	
		%		%
Net sales (Millions of yen)	28,410	202.7	46,820	203.6
Operating profit (Millions of yen)	(19,213)	-	(36,509)	-
Ordinary profit (Millions of yen)	(19,227)	-	(36,749)	-
Profit attributable to owners of parent (Millions of yen)	(21,927)	-	(36,386)	-
Profit per share (Yen):				
Basic	(266.70)		(285.57)	
Diluted	-		-	

(2) Financial position

	As of	
	August 31, 2021	August 31, 2022
Total assets (Millions of yen)	20,319	68,888
Total net assets (Millions of yen)	6,897	54,078
Equity ratio (%)	32.4	78.5
Net assets per share (Yen)	80.00	410.66
Equity:	54,069 million yen (as of August 31, 2022)	
	6,577 million yen (as of August 31, 2021)	

* **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 other forward-looking statements 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 4 for further details.

- The Company plans to hold an earnings release conference for institutional investors and analysts on October 14, 2022 (Friday). 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

During the fiscal year under review (September 1, 2021 to August 31, 2022), the Group accelerated a range of initiatives to expand the Demae-can business with an eye toward achieving its goal of making food delivery part of everyday life.

Given the relaxation of restrictions on activities to prevent further proliferation of COVID-19 and growing momentum towards a reopening, consumer spending started regaining vitality and demand for dining out has recovered to near pre-COVID 19 level. In the food delivery industry, however, against the backdrop of the changes in macroenvironment, market growth continued to slow down since the third quarter. Under these circumstances, however, due to the second large-scale campaign carried out in Greater Tokyo Area (Tokyo, Saitama, Chiba, and Kanagawa) from April 26 to June 30, 2022, Demae-can Co., Ltd. (the “Company”) not only succeeded in creating strong demand for food delivery services in these areas, but it was also able to carry the momentum for growth even after the campaign ended, despite an environment that was not necessarily considered favorable. In terms of market share, the Company captured approximately 50% of the entire DAU (daily active users) among major food delivery apps continuing from the third quarter. In addition, as it maintained No.1 in app downloads by category throughout the fiscal year under review, the Company succeeded in taking another step forward to establish the leading position in the industry.

Regarding advertising expenses, the Company continued to invest flexibly with a focus on cost efficiency while simultaneously fully discerning the macroenvironment and market conditions. Moreover, as a result of a nationwide renewal of its delivery system in July and August, the Company succeeded in optimizing remuneration per delivery and reducing delivery time with the introduction of demand heatmaps and the improvement of matching algorithm, etc. Going forward, it will continue to enhance service experience for users, merchants and riders through relentless product upgrades.

Consequently, consolidated net sales for the fiscal year under review increased by 63.4% year on year, to 47,314,715 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 36,442,071 thousand yen (operating loss of 19,157,250 thousand yen in the previous fiscal year), accordingly, an ordinary loss of 36,595,131 thousand yen (ordinary loss of 19,148,070 thousand yen in the previous fiscal year), and a loss attributable to owners of parent of 36,218,020 thousand yen (loss attributable to owners of parent of 21,869,010 thousand yen in the previous fiscal year).

(Thousands of yen)

Category	Year ended August 31, 2021		Year ended August 31, 2022		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
Demae-can business						
Demae-can service fee	10,966,249	37.9	14,840,351	31.4	3,874,101	35.3
Delivery commissions	15,970,750	55.2	29,605,972	62.6	13,635,222	85.4
Other transactions	1,473,875	5.1	2,374,451	5.0	900,575	61.1
Sub-total	28,410,875	98.1	46,820,775	99.0	18,409,900	64.8
Mail order business	543,533	1.9	493,939	1.0	(49,594)	(9.1)
Total	28,954,409	100.0	47,314,715	100.0	18,360,306	63.4

The business results for each segment are described below:

(Demae-can Business)

In the Demae-can business segment, GMV at the end of the fiscal year under review increased by 220.1 billion yen (up 35% year on year). In addition, the number of active users was 8.7 million (up 19%

year on year), the number of riders rose 258% year on year, showing an expansion in line with the management plan.

As a result, net sales in the Demae-can business segment came to 46,820,775 thousand yen for the fiscal year under review, including 14,840,351 thousand yen as Demae-can service fees, 29,605,972 thousand yen as delivery commissions and 2,374,451 thousand yen from other transactions.

(Mail Order Business)

In the Mail Order business segment, net sales came to 493,939 thousand yen (down 9.1% year on year) from mail order sales of shochu and other products to restaurants. Demand, seriously affected by COVID-19, declined significantly. Segment sales related to the mail-order business are cumulative sales for the 10-month period from September 1, 2021 to June 30, 2022, prior to the business transfer.

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

Current assets at the end of the fiscal year under review amounted to 68,863,819 thousand yen, an increase of 48,821,173 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 4,223,973 thousand yen in account receivable-other and an increase of 43,065,671 thousand yen in cash and deposits.

Non-current assets at the end of the fiscal year under review amounted to 326,898 thousand yen, a decrease of 10,495 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 34,316 thousand yen in buildings and structures.

As a result, total assets at the end of the fiscal year under review amounted to 69,190,717 thousand yen, an increase of 48,810,678 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the fiscal year under review amounted to 14,915,206 thousand yen, an increase of 1,829,248 thousand yen from the end of the previous fiscal year. This was caused primarily by an increase of 1,998,267 thousand yen in accounts payable - other and a decrease of 110,033 thousand yen in provision for bonuses.

Non-current liabilities at the end of the fiscal year under review decreased 368,175 thousand yen from the end of the previous fiscal year, to 50,108 thousand yen. This was mainly caused by a decrease of 362,661 thousand yen in guarantee deposits received.

As a result, total liabilities at the end of the fiscal year under review amounted to 14,965,314 thousand yen, an increase of 1,461,073 thousand yen from the end of the previous fiscal year.

Net assets amounted to 54,225,403 thousand yen, an increase of 47,349,604 thousand yen from the end of the previous fiscal year. Key factors contributing to this were an increase of 99,288,650 thousand yen in capital surplus due to capital increase and transfer from share capital, as well as the posting of 36,218,020 thousand yen as a loss attributable to owners of parent.

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

The balance of cash and cash equivalents ("cash") at the end of the fiscal year under review increased 43,065,671 thousand yen from the end of the previous fiscal year to 53,262,598 thousand yen.

The status of each of the cash flow segments and contributing factors 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 39,986,042 thousand yen (a decrease of 16,419,301 thousand yen in the previous fiscal year). The change was mainly attributable to loss before income taxes of 36,083,689 thousand yen, an increase in accounts receivable-other of 4,223,173 thousand yen, and an increase in accounts payable-other of 2,164,678 thousand yen.

(Cash flows from investing activities)

Net cash provided by investing activities during the fiscal year under review was 50,474 thousand yen (a decrease of 2,346,773 thousand yen in the previous fiscal year). Key contributing factors included proceeds from sale of businesses of 238,956 thousand yen and purchase of intangible assets of 164,105 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the fiscal year under review was 83,001,239 thousand yen (a decrease of 3,183 thousand yen in the previous fiscal year). Key contributing factors included proceeds from issuance of shares of 77,616,947 thousand yen and proceeds from disposal of treasury shares of 5,400,998 thousand yen.

(Reference) Changes in cash flows related indicators

	Year ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2020	Year ended August 31, 2021	Year ended August 31, 2022
Equity Ratio (%)	50.1	39.8	80.3	32.2	78.4
Equity Ratio at market value (%)	2,083.9	855.2	536.6	628.1	113.4
Interest-bearing debt to cash ratio (times)	1.9	8.2	-	-	-
Interest coverage ratio (times)	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

As for the outlook for the fiscal year ending August 31, 2023, we will continue to push forward to make the delivery every day part of life and expand the "Demaecan business". We will continue to invest in the renovation of our products and services to improve the delivery experience for all of our stakeholders—users, merchants, and riders—and also working to optimize expenses and improve profitability.

In consideration of these circumstances, the consolidated forecasts for the fiscal year ending August 31, 2023, within the range of current assumptions, are for GMV in the range of 231.0 billion yen to 242.0 billion yen (105%~110% of the previous year), for sales in the range of 58.0 billion yen to 62.0 billion yen (123%~131%), and for operating income in the range of -21.0 billion yen to -19.0 billion yen.

The above forecasts are based on currently available information, and actual results may differ significantly due to various uncertainties.

(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 Concerning Revision of Earnings and Dividend Forecasts" released on July 15, 2022.

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, 2021	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	10,196,926	53,262,598
Notes and accounts receivable—trade	290,586	104,558
Merchandise and finished goods	59,464	17,915
Accounts receivable-other	9,108,784	13,332,757
Other	475,750	2,188,273
Allowance for doubtful accounts	(88,866)	(42,284)
Total current assets	<u>20,042,646</u>	<u>68,863,819</u>
Non-current assets		
Property, plant, and equipment		
Buildings and structures	74,399	5,501
Accumulated depreciation	(40,082)	(5,501)
Buildings and structures, net	<u>34,316</u>	<u>-</u>
Other	225,554	121,250
Accumulated depreciation	(188,248)	(121,250)
Other, net	<u>37,306</u>	<u>-</u>
Total property, plant and equipment	<u>71,623</u>	<u>-</u>
Intangible assets		
Software	6,802	-
Other	138	-
Total intangible assets	<u>6,941</u>	<u>-</u>
Investments and other assets		
Investment securities	210,002	254,333
Guarantee deposits	35,547	59,768
Deferred tax assets	12,896	12,414
Other	9,182	1,961
Allowance for doubtful accounts	(8,800)	(1,578)
Total investments and other assets	<u>258,828</u>	<u>326,898</u>
Total non-current assets	<u>337,393</u>	<u>326,898</u>
Total assets	<u>20,380,039</u>	<u>69,190,717</u>

(Thousands of yen)

	As of August 31, 2021	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,604	—
Accounts payable - other	12,616,764	14,615,031
Income taxes payable	141,552	97,846
Provision for bonuses	131,909	21,875
Other	169,125	180,452
Total current liabilities	13,085,957	14,915,206
Non-current liabilities		
Guarantee deposits received	362,661	—
Other	55,622	50,108
Total non-current liabilities	418,283	50,108
Total liabilities	13,504,240	14,965,314
Net assets		
Shareholders' equity		
Capital stock	16,113,422	100,000
Capital surplus	12,980,932	112,269,582
Retained earnings	(21,966,290)	(58,184,310)
Treasury shares	(633,319)	(3,705)
Total shareholders' equity	6,494,744	54,181,566
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	60,739	34,257
Total valuation and translation adjustments	60,739	34,257
share acquisition rights	320,315	9,580
Total net assets	6,875,798	54,225,403
Total liabilities and net assets	20,380,039	69,190,717

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Year ended August 31, 2021	Year ended August 31, 2022
Net sales	28,954,409	47,314,715
Cost of sales	16,951,781	49,224,255
Gross profit	12,002,627	(1,909,540)
Selling, general and administrative expenses	31,159,878	34,532,531
Operating profit	(19,157,250)	(36,442,071)
Non-operating income		
Interest income	229	655
Dividend income	1,652	1,859
Insurance claim income	6,057	14,400
Share of profit of entities accounted for using equity method	15,868	89,864
Subsidy income	10,884	137,438
Other	5,671	22,303
Total non-operating income	40,364	266,522
Non-operating expenses		
Interest expenses	452	734
Loss on cancellation of insurance policies	11,048	—
Stock issuance cost	—	397,580
Compensation for damage	17,938	7,986
Other	1,743	13,281
Total non-operating expenses	31,183	419,582
Ordinary profit	(19,148,070)	(36,595,131)
Extraordinary income		
Gain on sales of non-current assets	8	3,272
Gain on sales of investment securities	68	—
Gain on sales of business	-	129,627
Gain on reversal of share acquisition rights	-	589,301
Total extraordinary income	76	722,201
Extraordinary losses		
Loss on retirement of non-current assets	69	15
Impairment loss	2,526,457	29,341
Expense related to correction of prior period financial statements	—	181,403
Retirement benefits for directors (and other officers)	100,000	—
Other	8,190	—
Total extraordinary losses	2,634,717	210,760
Profit before income taxes	(21,782,711)	(36,083,689)
Income taxes - current	85,918	107,794
Income taxes - deferred	380	26,535
Total income taxes	86,299	134,330
Profit	(21,869,010)	(36,218,020)
Profit attributable to owners of parent	(21,869,010)	(36,218,020)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Year ended August 31, 2021	Year ended August 31, 2022
Profit	(21,869,010)	(36,218,020)
Other comprehensive income		
Valuation difference on available-for-sale securities	10,541	26,481
Total other comprehensive income	10,541	26,481
Comprehensive income	(21,858,469)	(36,244,501)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(21,858,469)	(36,244,501)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Equity

Year ended August 31, 2021

(Thousands of yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earning	Treasury shares	Total shareholder's equity
Balance at beginning of current period	16,113,422	15,645,037	(2,761,597)	(634,095)	28,362,767
Changes of items during period					
Deficit disposition		(2,664,317)	2,664,317		—
Profit (loss) attributable to owners of parent			(21,869,010)		(21,869,010)
Disposal of treasury shares		212		775	988
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(2,664,104)	(19,204,693)	775	(21,868,022)
Balance at end of current period	16,113,422	12,980,932	(21,966,290)	(633,319)	6,494,744

	Other comprehensive income		share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total other comprehensive income		
Balance at beginning of current period	50,197	50,197	2,464	28,415,429
Changes of items during period				
Deficit disposition				—
Profit (loss) attributable to owners of parent				(21,869,010)
Disposal of treasury shares				988
Net changes of items other than shareholders' equity	10,541	10,541	317,850	328,391
Total changes of items during period	10,541	10,541	317,850	(21,539,631)
Balance at end of current period	60,739	60,739	320,315	6,875,798

Year ended August 31, 2022

(Thousands of yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earning	Treasury shares	Total shareholder's equity
Balance at beginning of current period	16,113,422	12,980,932	(21,966,290)	(633,319)	6,494,744
Changes of items during period					
Issuance of new shares	39,251,609	39,251,609			78,503,219
Transfer from capital to reserves or surplus	(55,265,032)	55,265,032			—
Net loss attributable to owners of the parent			(36,218,020)		(36,218,020)
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		4,772,007		629,622	5,401,630
Net changes of items other than shareholders' equity					—
Total changes of items during period	(16,013,422)	99,288,650	(36,218,020)	629,614	47,686,821
Balance at end of current period	100,000	112,269,582	(58,184,310)	(3,705)	54,181,566

	Other comprehensive income		share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total other comprehensive income		
Balance at beginning of current period	60,739	60,739	320,315	6,875,798
Changes of items during period				
Issuance of new shares				78,503,219
Transfer from capital to reserves or surplus				—
Net loss attributable to owners of the parent				(36,218,020)
Purchase of treasury shares				(8)
Disposal of treasury shares				5,401,630
Net changes of items other than shareholders' equity	(26,481)	(26,481)	(310,735)	(337,216)
Total changes of items during period	(26,481)	(26,481)	(310,735)	47,349,604
Balance at end of current period	34,257	34,257	9,580	54,225,403

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year ended August 31, 2021	Year ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	(21,782,711)	(36,083,689)
Depreciation	17,761	16,210
Share-based payment expenses	316,502	405,200
Impairment loss	2,526,457	29,341
Loss on retirement of non-current assets	69	15
Expense related to correction of prior period financial statements	—	181,403
Loss (gain) on sales of property, plant and equipment	(8)	(3,272)
Loss (gain) on sales of investment securities	(68)	—
Increase (decrease) in allowance for doubtful accounts	30,036	(53,803)
Increase (decrease) in provision for bonuses	49,725	(110,033)
Interest and dividend income	(1,882)	(2,514)
Stock issuance cost	—	397,580
Interest expenses	452	734
Loss (gain) on sale of businesses	—	(129,627)
Share of (profit) loss of entities accounted for using equity method	(15,868)	(89,864)
Subsidy income	(10,884)	(137,438)
Decrease (increase) in notes and accounts receivable - trade	(162,915)	193,249
Decrease (increase) in prepaid expenses	(51,122)	(577,930)
Decrease (increase) in consumption taxes refund receivable	(292,378)	(803,629)
Decrease (increase) in inventories	(2,961)	(14,030)
Increase (decrease) in notes and accounts payable – trade	(27,422)	(26,604)
Decrease (increase) in accounts receivable-other	(3,328,383)	(4,223,173)
Increase (decrease) in accounts payable-other	6,129,601	2,164,678
Other	229,457	(985,928)
Subtotal	<u>(16,376,543)</u>	<u>(39,853,126)</u>
Interest and dividend income received	5,568	12,926
Interest expenses paid	(452)	(734)
Income taxes paid	(64,319)	(128,570)
Income taxes refund	5,562	27,428
Subsidies received	10,884	137,438
Payments for expense related to correction of prior period financial statements	—	(181,403)
Net cash provided by) operating activities	<u>16,419,301</u>	<u>(39,986,042)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(108,584)	(6,907)
Purchase of intangible assets	(2,267,502)	(164,105)
Proceeds from sales of non-current assets	8	7,986
Proceeds from sales of investment securities	156	—
Proceeds from sales of businesses	—	238,956
Payments for asset retirement obligations	(20,691)	(25,734)
Payments for leasehold and guarantee deposits	(57,262)	(35,045)
Proceeds from collection of leasehold and guarantee deposits	93,258	35,368
Other	13,842	(44)
Net cash provided by (used in) investing activities	<u>(2,346,773)</u>	<u>50,474</u>

(Thousands of yen)

	Year ended August 31, 2021	Year ended August 31, 2022
Cash flows from financing activities		
Proceeds from issuance of shares	–	77,616,947
Purchase of treasury shares	–	(8)
Proceeds from disposal of treasury shares	(672)	5,400,998
Cash dividends paid	(221)	(28)
Proceeds from issuance of share acquisition rights	2,043	–
Other	(5,677)	(16,669)
Net cash provided by (used in) financing activities	(3,183)	83,001,239
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	(18,769,258)	43,065,671
Cash and cash equivalents at beginning of period	28,966,185	10,196,926
Cash and cash equivalents at end of period	10,196,926	53,262,598

(5) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition and other standards)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the fiscal year under review and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services is transferred to a customer.

Major changes attributable to the application of the Revenue Recognition Accounting Standard and related measures are as follows.

Part of promotion expenses, etc. targeting users, which were posted under selling, general and administrative expenses in the past, have been changed to a reduction from transaction prices as transactions that include variable consideration.

The Revenue Recognition Accounting Standard is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained surplus at the beginning of the consolidated fiscal year under review. This balance of retained surplus is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the fiscal year, either by adding it to or deducting it from the retained surplus, however, there is no cumulative effect of this change.

As a result, net sales decreased 9,388,540 thousand yen and selling, general and administrative expenses decreased 9,388,540 thousand yen for the fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the consolidated fiscal year under review. Thus, it will apply the new accounting principles set forth in the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional provisions set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the new accounting policies has no effect on quarterly consolidated financial statements.

(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. The mail-order business was transferred on June 30, 2022.

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.
(Application of Accounting Standard for Revenue Recognition and other standards)

As described under Changes in Accounting Policies, the Company has applied the Revenue Recognition Accounting Standard etc. since the beginning of the fiscal year under review and changed accounting methods, and accordingly, the calculation method of profit or loss by business segment was changed in the same manner.

As a result of this change, sales of the Demae-can business decreased by 9,388,540 thousand yen in the consolidated fiscal year under review compared to the precious method. There is no effect on segment profit or loss.

3) Net sales and profit or loss in reportable segments

Year ended August 31, 2021 (from September 1, 2020 to August 31, 2021)

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Sales to external customers	28,410,875	543,533	28,954,409	-	28,954,409
Intersegment sales or transfers	20	756,276	756,297	(756,297)	-
Net sales	28,410,896	1,299,810	29,710,706	(756,297)	28,954,409
Segment profit	(19,213,048)	73,558	(19,139,489)	(17,761)	(19,157,250)
Segment assets	19,602,184	861,584	20,463,768	(83,728)	20,380,039
Segment debt	13,422,414	165,554	13,587,969	(83,728)	13,504,240
Other items					
Depreciation	377	17,383	17,761	-	17,761
Investment to entities accounted for using equity method	94,405	-	94,405	-	94,405
Increase in the amount of tangible and intangible fixed assets	2,475,221	34,977	2,510,198	-	2,510,198

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

- (a) The adjustment of (17,761 thousand yen) in the segment profit (loss) includes depreciation and amortization expenses of (17,761 thousand yen).
- (b) The adjustment of (83,728 thousand yen) in the segment assets represents the elimination of inter-segment transactions of (83,728 thousand yen).
- (c) The adjustment of (83,728 thousand yen) in the segment liabilities represents the elimination of intersegment transactions of (83,728 thousand yen).

Note: 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, 2022 (from September 1, 2021 to August 31, 2022)

	Reportable segments			Adjustment Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Demae-can service fees (Note 3)	14,840,351	-	14,840,351	-	14,840,351
Delivery commissions (Note 3)	29,605,972	-	29,605,972	-	29,605,972
Mail order business (Note 3)	-	493,939	493,939	-	493,939
Other transactions	2,374,451	-	2,374,451	-	2,374,451
Sales to external customers	46,820,775	493,939	47,314,715	-	47,314,715
Intersegment sales or transfers	-	674,677	674,677	(674,677)	-
Net sales	46,820,775	1,168,617	47,989,393	(674,677)	47,314,715
Segment profit / loss	(36,514,942)	89,081	(36,425,861)	(16,210)	(36,442,071)
Segment asset	69,190,717		69,190,717		69,190,717
Segment debt	14,965,314		14,965,314		14,965,314
Other items					
Depreciation	44	16,165	16,210	-	16,210
Investments in entities accounted for using equity method	173,858		173,858		173,858
Increase in the amount of tangible and intangible fixed assets		4,630	4,630		4,630

Note:

1. The adjustment of segment profit or loss, (16,210) thousand yen, is the depreciation of reporting segments.
2. The total amount of segment profit or loss of the reporting segments and the total amount of adjustment are consistent with the operating loss reported in the quarterly consolidated statements of income.
3. Consists primarily of goods and services transferred at a point in time.
4. Since the mail order business was transferred on June 30, 2022, this is the cumulative amount for the 10-month period from September 1, 2021 to June 30, 2022.

(Related information)

Year ended August 31, 2021

1) Information on each product and service

(Thousands of yen)

	Demae-can business	Mail order business	Total
Net sales to external customers	28,410,875	543,533	28,954,409

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, 2022

1) Information on each product and service

(Thousands of yen)

	Demae-can business	Mail order business	Total
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Demae-can service fees	14,840,351	—	14,840,351
Delivery commissions	29,605,972	—	29,605,972
Mail order business	—	493,939	493,939
Other transactions	2,374,451	—	2,374,451

*Since the mail order business was transferred on June 30, 2022, this is the cumulative amount for the 10-month period from September 1, 2021 to June 30, 2022.

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, 2021

(Thousands of yen)

	<i>Demae-can</i> business	Mail order business	Eliminations or general corporate	Total
Impairment loss	2,526,457	—	—	2,526,457

Year ended August 31, 2022

(Thousands of yen)

	<i>Demae-can</i> business	Mail order business	Eliminations or general corporate	Total
Impairment loss	29,341	—	—	29,341

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

Year ended August 31, 2021

Not applicable.

Year ended August 31, 2022

Not applicable.

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

Year ended August 31, 2021

Not applicable.

Year ended August 31, 2022

Not applicable.

(Per share information)

	Year ended August 31,2021	Year ended August 31,2022
Net assets per share (Yen)	79.73	411.78
Profit per share (Yen)	(265.99)	(284.24)
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 31,2021	Year ended August 31,2022
Net Assets	6,875,798	54,225,403
Amount subtracted from the total amount of net assets included	320,315	9,580
Share acquisition rights	(320,315)	(9,580)
Net asset value concerning common shares at the end of the period	6,555,483	54,215,823
The number of common shares at the end of the period used to calculate net assets per share	82,219,426	131,663,643

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 31,2021	Year ended August 31,2022
Profit per share		
Profit attributable to owners of parent	(21,869,010)	(36,218,020)
Amount not attributable to common	-	-
Profit attributable to owners of parent related to common shares	(21,869,010)	(36,218,020)
Average number of shares outstanding of common share (Shares)	82,217,782	127,418,601
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)

None