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December 28, 2021

For immediate release

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Notice of Submission of Amendments to Annual Securities Reports, etc. for Past Fiscal Years and Amendments to the Summary of Financial Results for the Year Ended August 2021

Demaecan Co., Ltd. (the "Company") today submitted an amendment to its annual securities reports, etc. that had submitted in the previous fiscal years and amends the summary of financial results for the fiscal year ended August 2021 as follows;

Details

1. Background and reasons for correction

As mentioned in the "Notice Regarding the Holding of an Adjourned Meeting of the 22nd Annual General Meeting of Shareholders" announced on November 12, 2021 and "Notice Concerning the Establishment of an Internal Investigation Committee" announced on November 30, 2021, the existence of errors in the balance of accounts payables and accounts receivables was revealed by the findings of the Accounting Auditor in the process of auditing procedures related to the Company's financial statements for the fiscal year ended August 2021. Accordingly the Company established an internal investigation committee on November 30, 2021 and has pursued the investigation since then.

The Company, today, has received an investigation report from the internal investigation committee and has been informed that there were an overstatement of account receivable and account payable as well as an understatement of cost of sales (including agency fees, etc.).

Based on the result of the investigation, the Company made necessary corrections for the past fiscal years and has submitted an amendment to its annual securities report, etc. to Kanto Finance Bureau as well as making amendments to the summary of financial results for the fiscal year ended August 2021. For the details of the results of the investigation by the internal investigation committee, please refer to the "Notice Regarding the Receipt of the Investigation Report by the Internal Investigation Committee" announced today.

We deeply apologize for the considerable inconvenience and concern this has caused shareholders, investors, and all other parties involved.

2. Subject of amendments to reports submitted on December 28, 2021

Annual securities report

21st period (September 1, 2019 to August 31, 2020)

Quarterly report

Q1 of 21st period (September 1, 2019 to November 30, 2019)

Q2 of 21st period (December 1, 2019 to February 29, 2020)

Q3 of 21st period (March 1, 2020 to May 31, 2020)

Q1 of 21st period (September 1, 2020 to November 30, 2020)

Q2 of 22nd period (December 1, 2020 to February 28, 2021)

Q3 of 22nd period (March 1, 2021 to May 31, 2021)

3. Impact of amendments to the consolidated financial results for the past fiscal years

(Thousand yen)

| Period | Items | Before correction (a) | After correction (b) | Variance (b-a) | Variance in percentage |
|---------------------|---|--------------------------|-------------------------|-------------------|------------------------------|
| 21st 1st quarter | Net sales | 1,817,120 | 1,821,776 | 4,656 | 0.3% |
| | Operating profit (loss) | (210,162) | (162,555) | 47,606 | - |
| | Ordinary profit (loss) | (202,059) | (154,452) | 47,606 | - |
| | Profit (loss) attributable to owners of parent | (220,604) | (172,998) | 47,606 | - |
| | Total assets | 7,181,067 | 6,752,050 | -429,016 | -6.0% |
| | Total net assets | 2,481,380 | 2,528,987 | 47,606 | 1.9% |
| 21st 2nd quarter | Net sales | 3,828,559 | 3,828,559 | - | - |
| | Operating profit (loss) | (989,318) | (976,608) | 12,710 | - |
| | Ordinary profit (loss) | (966,090) | (953,380) | 12,710 | - |
| | Profit (loss) attributable to owners of parent | (904,554) | (891,844) | 12,710 | - |
| | Total assets | 6,836,647 | 6,129,260 | -707,386 | -10.3% |
| | Total net assets | 1,690,221 | 1,702,932 | 12,710 | 0.8% |
| 21st 3rd quarter | Net sales | 6,822,957 | 6,822,957 | - | - |
| | Operating profit (loss) | (1,608,869) | (1,600,976) | 7,892 | - |
| | Ordinary profit (loss) | (1,917,539) | (1,909,646) | 7,892 | - |
| | Profit (loss) attributable to owners of parent | (1,877,768) | (1,869,875) | 7,892 | - |
| | Total assets | 39,217,499 | 37,256,235 | -1,961,264 | -5.0% |
| | Total net assets | 30,709,581 | 30,717,474 | 7,892 | 0.0% |
| 21st Full year | Net sales | 10,306,463 | 10,315,568 | 9,105 | 0.1% |
| | Operating profit (loss) | (2,623,102) | (2,687,393) | -64,290 | - |
| | Ordinary profit (loss) | (2,919,717) | (2,984,007) | -64,290 | - |
| | Profit (loss) attributable to owners of parent | (4,112,361) | (4,176,652) | -64,290 | - |
| | Total assets | 35,985,792 | 35,376,283 | -609,509 | -1.7% |
| | Total net assets | 28,479,720 | 28,415,429 | -64,290 | -0.2% |
| 22nd 1st quarter | Net sales | 4,228,055 | 4,186,049 | -42,006 | -1.0% |
| | Operating profit (loss) | (3,194,131) | (3,229,883) | -35,752 | - |
| | Ordinary profit (loss) | (3,195,340) | (3,231,092) | -35,752 | - |
| | Profit (loss) attributable to owners of parent | (3,543,866) | (3,582,612) | -38,745 | - |
| | Total assets | 33,673,545 | 32,541,423 | -1,132,122 | -3.4% |
| | Total net assets | 24,937,208 | 24,834,171 | -103,036 | -0.4% |

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|---------------------|--|--------------|--------------|------------|--------|
| 22nd 2nd quarter | Net sales | 10,464,025 | 10,409,477 | -54,548 | -0.5% |
| | Operating profit (loss) | (8,387,794) | (8,543,555) | -155,761 | - |
| | Ordinary profit (loss) | (8,382,529) | (8,538,290) | -155,761 | - |
| | Profit (loss) attributable to owners of parent | (9,610,656) | (9,796,394) | -185,737 | - |
| | Total assets | 28,356,179 | 27,470,569 | -885,610 | -3.1% |
| | Total net assets | 18,945,401 | 18,695,372 | -250,028 | -1.3% |
| 22nd 3rd quarter | Net sales | 18,493,570 | 18,439,022 | -54,548 | -0.3% |
| | Operating profit (loss) | (12,907,076) | (13,594,319) | -687,243 | - |
| | Ordinary profit (loss) | (12,889,760) | (13,577,003) | -687,243 | - |
| | Profit (loss) attributable to owners of parent | (14,734,930) | (15,462,008) | -727,077 | - |
| | Total assets | 25,738,390 | 23,890,159 | -1,848,231 | -7.2% |
| | Total net assets | 13,927,607 | 13,136,238 | -791,368 | -5.7% |
| 22nd Full year | Net sales | 29,008,957 | 28,954,409 | -54,548 | -0.2% |
| | Operating profit (loss) | (17,991,062) | (19,157,250) | -1,166,188 | - |
| | Ordinary profit (loss) | (17,981,882) | (19,148,070) | -1,166,188 | - |
| | Profit (loss) attributable to owners of parent | (20,651,651) | (21,869,010) | -1,217,359 | - |
| | Total assets | 22,715,336 | 20,380,039 | -2,335,296 | -10.3% |
| | Total net assets | 8,157,449 | 6,875,798 | -1,281,650 | -15.7% |

(Note) "Variance in percentage" is rounded off to one decimal place.