

Consolidated Financial Results for the Six Months Ended February 28, 2021

Name of Company	Demae-can Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	https://corporate.demae-can.com/en/
Representative	Hideo Fujii, President & CEO
Contact	Satoshi Yano, Operating Officer & CFO, in charge of Corporate Planning Division
TEL	+81 3 4500 9386

- 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 Six Months Ended February 28, 2021

(1) Operating results

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

	Year ended			
	February 29, 2020	February 28, 2021		
		%		%
Net sales (Millions of yen)	3,828	22.7	10,464	173.3
Operating profit (Millions of yen)	(989)	-	(8,387)	-
Ordinary profit (Millions of yen)	(966)	-	(8,382)	-
Profit attributable to owners of parent (Millions of yen)	(904)	-	(9,610)	-
Profit per share (Yen):				
Basic	(22.04)		(116.89)	
Diluted	-		-	
Comprehensive income:	Year ended February 28, 2021: (9,615) million yen, -			
	Year ended February 29, 2020: (1,029) million yen, -			

(2) Financial position

	As of	
	August 31, 2020	February 28, 2021
Total assets (Millions of yen)	35,985	28,356
Total net assets (Millions of yen)	28,479	18,945
Equity ratio (%)	79.1	66.5
Equity:	18,861 million yen (as of February 28, 2021)	
	28,477 million yen (as of August 31, 2020)	

2. Dividends

	Year ended August 31, 2020	Year ending August 31, 2021
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	
Annual dividends per share (Yen)	0.00	

- Note: Revision to the dividends forecasts most recently announce: None
 The forecast dividends for the fiscal year ending August 31, 2021 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, 2021

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

	Year ending August 31, 2021	
		%
Net sales (Millions of yen)	28,000	171.7
Operating profit (Millions of yen)	(13,000)	-
Ordinary profit (Millions of yen)	(13,000)	-
Profit attributable to owners of parent (Millions of yen)	(13,000)	-
Profit per share (Yen)	(158.12)	

Note: Revision to the financial forecasts most recently announce: None

4. Notes

- (1) Important changes in subsidiaries (Changes on specific subsidiaries associated with changes in scope of consolidation): None
- (2) Adoption of special accounting methods for preparation of quarterly financial statements: Yes
Note: Please refer to "2. Consolidated Financial Statements and Notes to Consolidated Financial Statement, (4) Notes to Consolidated Financial Statements" on page 11 for further information
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 1. Changes in accounting policies along with changes in accounting standards: None
 2. Other changes of accounting policies besides the number 1 above: None
 3. Changes in accounting estimates: None
 4. Restatements: None
- (4) Number of shares issued and outstanding (common share)
 1. Number of shares issued and outstanding (including treasury shares)

As of February 28, 2021:	85,486,500 shares
As of August 31, 2020:	85,486,500 shares
 2. Number of shares of treasury shares

As of February 28, 2021:	3,268,674 shares
As of August 31, 2020:	3,271,074 shares
 3. Average number of shares outstanding

As of February 28, 2021:	82,216,420 shares
As of February 29, 2020:	41,050,250 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:**

- 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, (4) Future Forecast" on page 4 for further details.
- The Company plans to hold an earnings release conference for institutional investors and analysts on March 26, 2021 (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 first half of the fiscal year under review (September 1, 2020 to February 28, 2021), the Group accelerated its initiatives to expand the Demae-can business to actualize our vision, “Food delivery is a routine part of life.”

During the prolonged COVID-19 pandemic, governments have requested that restaurants shorten their business hours, and the operating environment for restaurants is becoming increasingly challenging. At the same time, demand for ready-to-eat meals is increasing significantly.

In this environment, the Company is actively expanding its area of *Sharing Delivery* to increase the number of merchants. In the second quarter, the Company began providing the service in Kochi, Kagawa, Tokushima, Fukui, Wakayama, Toyama, Gunma, Nagano, Saga, and Fukushima Prefectures, increasing the number of prefectures where we provide the service to 39. The Company strove to increase the number of delivery staff to respond to the increasing demand, resulting in a roughly tenfold increase year on year. With the expansion of the *Sharing Delivery* service, the increase in merchants accelerated. The number of *Sharing Delivery* merchants increased about 7.5-fold year on year.

The Company continued its initiatives to improve its recognition, including TV commercials, and as a result, recognition of Demae-can brand significantly uplifted. These initiatives have significantly increased new users.

Consequently, consolidated net sales for the first six months of the current fiscal year under review increased by 173.3% year on year, to 10,464,025 thousand yen, reflecting continued business expansion. However, aggressive business development and investment resulted in operating loss of 8,387,794 thousand yen (operating loss of 989,318 thousand yen in the previous fiscal year), ordinary loss of 8,382,529 thousand yen (ordinary loss of 966,090 thousand yen in the previous fiscal year) and loss attributable to owners of parent of 9,610,656 thousand yen (loss attributable to owners of parent of 904,554 thousand yen in the previous fiscal year).

(Thousands of yen)

Category	Six months ended February 29, 2020		Six months ended February 28, 2021		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Demae-can service fees	2,039,208	53.3	4,688,073	44.8	2,648,864	129.9
Delivery commissions	540,708	14.1	4,736,512	45.3	4,195,803	776.0
Other transactions	635,756	16.6	706,244	6.7	70,487	11.0
Sub-total	3,215,674	84.0	10,130,830	96.8	6,915,156	215.0
Mail order business	612,885	16.0	333,195	3.2	(279,690)	(45.6)
Total	3,828,559	100.0	10,464,025	100.0	6,635,466	173.3

Note: Starting from the previous third quarter, the categories have been revised to reflect changes in the rate structure of the Demae-can business.

The business results for each segment are described below:

(Demae-can Business)

In the Demae-can business segment, GMV at the end of the first quarter of the current fiscal year increased significantly by 71.0 billion yen (up 68% year on year). In addition, the number of active users was 5.82 million (up 82% year on year), the number of affiliated stores was 59 thousand (up 179% year on year), and the household coverage rate of *Sharing Delivery* was 39%. This business segment expanded steadily in line with its mid-term management plan.

As a result, net sales in the Demae-can business segment came to 10,130,830 thousand yen (up 215.0% year on year) for the current fiscal year under review, including 4,688,073 thousand yen as

Demae-can service fees, 4,736,512 thousand yen as delivery commissions and 706,244 thousand yen from other transactions.

(Mail Order Business)

In the Mail Order business segment which sells shochu and other products to restaurants by mail order, was affected by the shorter opening hours of restaurants due to the spread of the coronavirus. As a result, net sales in the Mail Order business segment came to 333,195 thousand yen (down 45.6% year on year) for the current fiscal year under review.

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

Current assets at the end of the first half under review amounted to 27,986,455 thousand yen, a decrease of 7,593,796 thousand yen from the end of the previous fiscal year. This decrease was attributable to a decrease of 9,111,363 thousand yen in cash and deposits, despite an increase of 1,223,927 thousand yen in account receivable-other and an increase of 268,243 thousand yen in other current assets.

Non-current assets at the end of the first half under review amounted to 369,724 thousand yen, a decrease of 35,816 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 36,994 thousand yen in other investments and other assets and a decrease of 2,198 thousand yen in property, plant, and equipment, while investment securities increased 5,022 thousand yen.

As a result, total assets at the end of the first half under review amounted to 28,356,179 thousand yen, a decrease of 7,629,613 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the first half under review amounted to 9,359,830 thousand yen, an increase of 1,898,139 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 2,007,313 thousand yen in accounts payable-other and 38,367 thousand yen in provision for bonuses, which offset a decrease of 88,894 thousand yen in income taxes payable and 29,223 thousand yen in notes and accounts payable-trade.

Non-current liabilities at the end of the first half under review amounted to 50,947 thousand yen, an increase of 6,566 thousand yen. Key factors contributing to this increase included an increase of 6,566 thousand yen in other non-current liabilities.

As a result, total liabilities at the end of the first half under review amounted to 9,410,777 thousand yen, an increase of 1,904,705 thousand yen from the end of the previous fiscal year.

Net assets at the end of first half under review amounted to 18,945,401 thousand yen, a decrease of 9,534,319 thousand yen from the end of the previous fiscal year. The main factor contributing to this decrease was a 2,664,189 thousand yen decrease in capital surplus due to deficiency compensation, and a 6,946,339 thousand yen decrease in retained earnings as a result of the increase due to deficiency compensation and a loss attributable to owners of parent of 9,610,656 thousand yen. Other key factors included an increase of 80,979 thousand yen in share acquisition rights resulting from the issuance of stock options for directors and employees, a 5,234 thousand yen decrease in valuation difference on available-for-sale securities, and the disposal of treasury shares worth 465 thousand yen.

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

The balance of cash and cash equivalents ("cash") at the end of the first half of the fiscal year under review decreased 9,111,363 thousand yen from the end of the previous fiscal year, to 19,854,821 thousand yen.

The state of cash flows and factors for each category for the first half under review are as follows:
(Cash flows from operating activities)

Net cash used in operating activities during the first half under review was 8,028,925 thousand yen (a decrease of 425,362 thousand yen in the same period of the previous fiscal year). Key contributing factors included an increase in accounts payable-other of 1,967,268 thousand yen, an increase in accounts receivable-other of 1,217,746 thousand yen, an increase in notes and accounts receivable-trade of 48,941 thousand yen, income taxes paid of 38,276 thousand yen, a loss before income taxes of 9,573,812 thousand yen. Other factors included an impairment loss of 1,083,835 thousand yen, share-based remuneration expenses of 79,125 thousand yen, and depreciation of 37,757 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the first half under review was 1,081,886 thousand yen (a decrease of 138,347 thousand yen in the same period of the previous fiscal year). Key contributing factors included purchase of intangible assets of 1,029,625 thousand yen and purchase of property, plant and equipment of 54,946 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the first half under review was 551 thousand yen (a decrease of 324,495 thousand yen in the same period of the previous fiscal year). Key contributing factors included revenue from the issuance of stock options of 2,043 thousand yen, revenue from the disposal of treasury shares of 403 thousand yen, and cash dividends paid of 190 thousand yen.

(4) Future Forecast

Consolidated financial results for the fiscal year ending August 31, 2021 remain unchanged from the "Consolidated Financial Results for the Year Ended August 31, 2020" announced on October 15, 2020.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	28,966,185	19,854,821
Notes and accounts receivable—trade	134,904	183,999
Merchandise and finished goods	47,175	48,336
Accounts receivable-other	6,375,530	7,599,457
Other	128,830	397,074
Allowance for doubtful accounts	(72,374)	(97,233)
Total current assets	<u>35,580,251</u>	<u>27,986,455</u>
Non-current assets		
Property, plant, and equipment	51,460	49,261
Intangible assets		
Software	9,441	7,942
Other	138	138
Total intangible assets	<u>9,580</u>	<u>8,081</u>
Investments and other assets		
Investment securities	182,722	187,745
Guarantee deposits	111,275	110,976
Deferred tax assets	13,277	13,277
Other	38,790	1,796
Allowance for doubtful accounts	(1,567)	(1,414)
Total investments and other assets	<u>344,499</u>	<u>312,381</u>
Total non-current assets	<u>405,540</u>	<u>369,274</u>
Total assets	<u>35,985,792</u>	<u>28,356,179</u>

(Thousands of yen)

	As of August 31, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	54,026	24,803
Accounts payable - other	6,867,242	8,874,555
Income taxes payable	201,259	112,365
Provision for bonuses	82,184	120,551
Other	256,978	227,554
Total current liabilities	7,461,691	9,359,830
Non-current liabilities		
Other	44,380	50,947
Total non-current liabilities	44,380	50,947
Total liabilities	7,506,071	9,410,777
Net assets		
Shareholders' equity		
Share capital	16,113,422	16,113,422
Capital surplus	15,645,037	12,980,847
Retained earnings	(2,697,306)	(9,643,645)
Treasury shares	(634,095)	(633,630)
Total shareholders' equity	28,427,058	18,816,994
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,197	44,962
Total accumulated other comprehensive income	50,197	44,962
share acquisition rights	2,464	83,444
Total net assets	28,479,720	18,945,401
Total liabilities and net assets	35,985,792	28,356,179

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Six months ended February 29, 2020	Six months ended February 28, 2021
Net sales	3,828,559	10,464,025
Cost of sales	1,290,459	5,202,983
Gross profit	2,538,099	5,261,042
Selling, general and administrative expenses	3,527,418	13,648,836
Operating profit	(989,318)	(8,387,794)
Non-operating income		
Interest income	11	143
Dividend income	1,953	826
Share of profit of entities accounted for using equity method	24,030	16,337
Subsidy income	-	8,532
Other	1,749	3,554
Total non-operating income	27,745	29,395
Non-operating expenses		
Interest expenses	1,297	187
Taxes and dues	2,709	-
Loss on cancellation of insurance policies	-	11,048
Foreign exchange losses	2	-
Other	508	12,894
Total non-operating expenses	4,517	24,130
Ordinary profit	(966,090)	(8,382,529)
Extraordinary income		
Gain on sales of investment securities	100,039	68
Total extraordinary income	100,039	68
Extraordinary losses		
Loss on retirement of non-current assets	-	69
Impairment loss	-	1,083,835
Retirement benefits for directors	-	100,000
Other	-	7,445
Total extraordinary losses	-	1,191,351
Profit before income taxes	(866,051)	(9,573,812)
Income taxes	38,502	36,843
Loss	(904,554)	(9,610,656)
Loss attributable to owners of parent	(904,554)	(9,610,656)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Six months ended February 29, 2020	Six months ended February 28, 2021
Profit	(904,554)	(9,610,656)
Other comprehensive income		
Valuation difference on available-for-sale securities	(125,009)	(5,234)
Total other comprehensive income	(125,009)	(5,234)
Comprehensive income	(1,029,564)	(9,615,891)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,029,564)	(9,615,891)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Six months ended February 29, 2020	Six months ended February 28, 2021
Cash flows from operating activities		
Profit before income taxes	(866,051)	(9,573,812)
Depreciation	151,382	37,757
Impairment loss	-	1,083,835
Share-based remuneration expenses	-	79,125
Loss on retirement of non-current assets	-	69
Loss (gain) on sales of investment securities	(100,039)	(68)
Increase (decrease) in allowance for doubtful accounts	6,973	24,706
Increase (decrease) in provision for bonuses	7,064	38,367
Interest and dividend income	(1,964)	(970)
Interest expenses	1,297	187
Share of (profit) loss of entities accounted for using equity method	(24,030)	(16,337)
Decrease (increase) in notes and accounts receivable - trade	(35,221)	(48,941)
Decrease (increase) in inventories	(4,632)	(659)
Increase (decrease) in notes and accounts payable – trade	1,747	(29,223)
Decrease (increase) in accounts receivable-other	(770,853)	(1,217,746)
Increase (decrease) in accounts payable-other	1,168,847	1,967,268
Other	(8,127)	(344,239)
Subtotal	<u>(473,609)</u>	<u>(8,000,679)</u>
Interest and dividend income received	9,982	4,656
Interest expenses paid	(1,479)	(187)
Income taxes paid	(44,640)	(38,276)
Income taxes refund	84,383	5,562
Net cash provided by) operating activities	<u>(425,362)</u>	<u>(8,028,925)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(183)	(54,946)
Purchase of intangible assets	(257,566)	(1,209,625)
Proceeds from sales of investment securities	134,277	156
Other	(14,876)	2,528
Net cash provided by (used in) investing activities	<u>(138,347)</u>	<u>(1,081,886)</u>

(Thousands of yen)

	Six months ended February 29, 2020	Six months ended February 28, 2021
Cash flows from financing activities		
Increase in short-term loans payable	3,800,000	-
Decrease in short-term loans payable	(4,000,000)	-
Repayments of long-term loans payable	(2,004)	-
Proceeds from disposal of treasury shares of subsidiaries	27,280	403
Cash dividends paid	(147,365)	(190)
Purchase of issuance of share acquisition rights	-	2,043
Other	(2,406)	(2,087)
Net cash provided by (used in) financing activities	(324,495)	(551)
Effect of exchange rate change on cash and cash equivalents	(2)	-
Net increase (decrease) in cash and cash equivalents	(888,208)	(9,111,363)
Cash and cash equivalents at beginning of period	2,185,728	28,966,185
Cash and cash equivalents at end of period	1,297,520	19,854,821

(4) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Significant changes in Shareholders' Equity)

By a resolution passed at the 21st annual shareholders' meeting held on November 26, 2020, the Company reduced its legal capital surplus by 2,664,317 thousand yen and transferred the amount to other capital surplus under Article 448, Paragraph 1 of the Companies Act and reduced other capital surplus by 2,664,317 thousand yen and transferred the amount to retained earnings carried forward under Article 452 of the Companies Act to reduce the deficit.

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

Tax expenses are calculated by multiplying profit before income taxes by the effective tax rate that is reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year including the first quarter under review. However, if the calculation of tax expenses using the estimated effective tax rate leads to significantly unreasonable results, the recoverability of deferred tax assets is factored into the profit before income taxes or loss before income taxes multiplied by the statutory effective tax rate.

(Additional information)

There are no significant changes to the assumptions including the future spread and ending time of COVID-19 described in “(Additional information) (Accounting estimates for the spread of new coronavirus infections)” in the securities report for the previous fiscal year.

(Segment information)

1) Net sales and profit or loss in reportable segments

Six months ended February 29, 2020 (from September 1, 2019 to February 29, 2020)

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	Demae-can business	Mail order business	Segments total		
Sales					
Sales to external customers	3,215,674	612,885	3,828,559	-	3,828,559
Intersegment sales or transfers	19	142,751	142,770	(142,770)	-
Net sales	3,215,693	755,636	3,971,330	(142,770)	3,828,559
Segment profit / loss	(936,425)	98,489	(837,936)	(151,382)	(989,318)
Other items					
Depreciation	143,320	8,062	151,382	-	151,382

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

The adjustment of (151,382 thousand yen) in the segment profit (loss) is depreciation expenses for the reporting segments.

Note: 2. The total segment profit (loss) in each reporting segment and the total value of adjustment are

Note: 2. consistent with the operating loss in the consolidated income statement.

Six months ended February 28, 2021 (from September 1, 2020 to February 28, 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	10,130,830	333,195	10,464,025	-	10,464,025
Intersegment sales or transfers	15	332,706	332,722	(332,722)	-
Net sales	10,130,846	665,902	10,796,748	(332,722)	10,464,025
Segment profit / loss	(8,399,752)	49,715	(8,350,037)	(37,757)	(8,387,794)
Other items					
Depreciation	30,289	7,468	37,757	-	37,757

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

The adjustment of (37,757 thousand yen) in the segment profit (loss) is depreciation expenses for the reporting segments.

Note: 2. The total segment profit (loss) in each reporting segment and the total value of adjustment are

Note: 2. consistent with the operating loss in the consolidated income statement.

2) Information on impairment loss in non-current assets and goodwill by reportable segment.

(Important impairment loss on non-current assets)

An impairment loss was recorded for non-current assets acquired in the Demae-can business during the first half under review. The impairment loss recorded in the first half under review was 1,083,835 thousand yen.