

Consolidated Financial Results for the Three Months Ended November 30, 2019

Name of Company	Demae-can Co., Ltd
Stock exchange	JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
URL	https://corporate.demae-can.com/en/
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- 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 Three Months Ended November 30, 2019

(1) Operating results

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

	Three months ended			
	November 30, 2018		November 30, 2019	
		%		%
Net sales (Millions of yen)	1,433	18.8	1,817	26.8
Operating profit (Millions of yen)	102	(50.1)	(210)	-
Ordinary profit (Millions of yen)	111	(46.8)	(202)	-
Profit attributable to owners of parent (Millions of yen)	91	(35.4)	(220)	-
Profit per share (Yen):				
Basic	2.25		(5.38)	
Diluted	2.21		-	
Comprehensive income:	Year ended November 30, 2019: (238) million yen, -			
	Year ended November 30, 2018: 166 million yen, (2.6%)			

(2) Financial position

	As of	
	August 31, 2019	November 30, 2019
Total assets (Millions of yen)	7,084	7,181
Total net assets (Millions of yen)	2,839	2,481
Equity ratio (%)	39.8	34.3
Equity:	2,460 million yen (as of November 30, 2019)	
	2,819 million yen (as of August 31, 2019)	

2. Dividends

	Year ended August 31, 2019	Year ending August 31, 2020
1Q-end dividends per share (Yen)	-	-
2Q-end dividends per share (Yen)	0.00	
3Q-end dividends per share (Yen)	-	
Year-end dividends per share (Yen)	3.60	
Annual dividends per share (Yen)	3.60	

- Note: Revision to the dividends forecasts most recently announced: None
 The forecast dividends for the fiscal year ending August 31, 2020 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, 2020

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

	Year ending August 31, 2020	
		%
Net sales (Millions of yen)	9,300	39.5
Operating profit (Millions of yen)	(1,500)	-
Ordinary profit (Millions of yen)	(1,500)	-
Profit attributable to owners of parent (Millions of yen)	(1,600)	-
Profit per share (Yen)	(39.21)	

Note: Revision to the financial forecasts most recently announced: 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, (3) Notes to Consolidated Financial Statements" on page 8 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 November 30, 2019: 44,390,500 shares
 - As of August 31, 2019: 44,390,500 shares
 2. Number of shares of treasury shares
 - As of November 30, 2019: 3,279,074 shares
 - As of August 31, 2019: 3,455,074 shares
 3. Average number of shares outstanding
 - As of November 30, 2019: 40,989,074 shares
 - As of November 30, 2018: 40,623,038 shares

* Status of implementation of quarterly review procedures

This Consolidated Financial Results is outside the scope of the audit procedures under the Financial Instruments and Exchange Act.

* Explanation of the appropriate use of financial forecast:

The financial forecasts and estimates provided in this Consolidated Financial Results are based on certain assumptions judged to be reasonable by the Company and available information at the time of report issuance, and therefore are not guarantees of future performance. Consequently, actual results may differ substantially from those described in this Consolidated Financial Results. Please refer to "1. Qualitative Information Regarding Financial Statements, (3) Future Forecast" on page 4 for further details.

1. Qualitative Information Regarding Financial Statements

(1) Explanation of Operating Results

During the first quarter under review (from September 1, 2019 to November 30, 2019), the Group continued to pursue initiatives for the expansion of the *Demae-can* business, its main business. The Company has been taking a number of steps to transform itself from a simple food delivery service provider into a supplier of essential life infrastructure for the future of Japan through the expansion of the *Sharing Delivery* business.

With regard to the expansion of service areas in the *Sharing Delivery* business, the Group has been working to improve delivery efficiency through the introduction of an automated operation system, as well as continuous area expansion efforts with a focus on directly managed areas.

Regarding the expansion of affiliated stores, the Group continued to enhance a category of services that customers can easily use for daily meals, such as OOTOYA GOHANDOKORO and HOT MOTTO. In addition, it developed delivery-specific containers jointly with FP Corporation to address the growing demand for noodle.

In terms of efforts to increase the use of services by customers, the Group has been lowering the minimum order price to make sure that customers can use services more easily on a daily basis, while simultaneously implementing marketing programs in consideration of local conditions. The Group is also working on bolstering recognition of *Demae-can* and encouraging the use of delivery services through a range of promotions coupled with a new commercial featuring Mr. Masatoshi Hamada (One of the most famous comedians in Japan), who was appointed CDO (Chief Delivery Officer) in December.

Thanks to these measures, the number of daily orders surpassed the previous record highs in December, a month in which demand typically peaks.

Consequently, the consolidated results for the three months of the current fiscal year were net sales of 1,817,120 thousand yen (up 26.8% year on year) thanks to the expansion of business, but aggressive business development and investment resulted in operating loss of 210,162 thousand yen (operating profit of 102,791 thousand yen in the previous fiscal year), ordinary loss of 202,059 thousand yen (ordinary profit of 111,964 thousand yen in the previous fiscal year), and loss attributable to owners of parent of 220,604 thousand yen (profit attributable to owners of parent of 91,524 thousand yen in the previous fiscal year)

(Thousands of yen)

Category	Three months ended November 30, 2018		Three months ended November 30, 2019		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Basic operation fee	114,311	8.0	133,389	7.3	19,078	16.7
Order commissions	703,051	49.0	822,251	45.3	119,199	17.0
Delivery commissions	17,422	1.2	217,241	12.0	199,819	1,146.9
Other transactions	281,858	19.7	337,028	18.5	55,169	19.6
Sub-total	1,116,643	77.9	1,509,910	83.1	393,266	35.2
Mail order business	316,928	22.1	307,210	16.9	(9,717)	(3.1)
Total	1,433,572	100.0	1,817,120	100.0	383,548	26.8

* The category has been changed from the first quarter of the current fiscal year due to the increment of the ratio of *Sharing Delivery* (directly managed offices) to *Demae-can* business.

The business results for each segment are described below:

(*Demae-can* Business)

In the *Demae-can* business segment, the number of active users was approximately 3.10 million (up 13.4% year on year), the number of affiliated stores was 20,720 (up 16.2% year on year), the number of

orders placed was approximately 7.15 million (up 13.7% year on year) and the number of sharring delivery offices was 239 locations (up 206.4% year on year) at the first quarter of the current fiscal year.

A new commercial featuring Mr. Masatoshi Hamada, who was appointed CDO (Chief Delivery Officer), has broadcasted in December and the number of daily orders surpassed the previous record highs in December, a month in which demand typically peaks.

As a result, net sales in the *Demae-can* business segment came to 1,509,910 thousand yen (up 35.2% year on year) for the current fiscal year, included 133,389 thousand yen for basic operation fee, 822,251 thousand yen for order commissions, 217,241 thousand yen for delivery commissions and 337,028 thousand yen for other transactions.

(Mail Order Business)

In the Mail Order business segment, net sales came to 307,210 thousand yen (down 3.1% year on year) by the mail order sales of Shochu etc. to the restaurants all over Japan.

(2) Qualitative Information on Consolidated Financial Conditions

Current assets at the end of the first quarter under review amounted to 5,626,377 thousand yen, an increase of 70,757 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 58,592 thousand yen in accounts receivable-other and 55,299 thousand yen in notes and accounts receivable-trade, which offset a decrease of 38,785 thousand yen in cash and deposits.

Non-current assets at the end of the first quarter under review amounted to 1,554,689 thousand yen, an increase of 26,087 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 102,276 thousand yen in software, which offset a decrease of 44,624 thousand yen in software in progress and 24,069 thousand yen in investment securities.

As a result, total assets at the end of the first quarter under review amounted to 7,181,067 thousand yen, an increase of 96,845 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the first quarter under review amounted to 4,667,624 thousand yen, an increase of 464,126 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 493,347 thousand yen in accounts payable-other, which offset a decrease of 25,764 thousand yen in income tax payable and 14,657 thousand yen in provision for bonuses.

Non-current liabilities at the end of the first quarter under review amounted to 32,061 thousand yen, a decrease of 8,789 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 8,789 thousand yen in other non-current liabilities.

As a result, total liabilities at the end of the first quarter under review amounted to 4,699,686 thousand yen, an increase of 455,337 thousand yen from the end of the previous fiscal year.

Net assets at the end of the first quarter under review amounted to 2,481,380 thousand yen, a decrease of 358,492 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 220,604 thousand yen in loss attributable to owners of parent, 147,367 thousand yen in cash dividend paid and 17,799 thousand yen in valuation difference on available-for-sale securities, which offset an increase of 34,117 thousand yen in disposal of treasury shares.

(3) Future Forecast

There are no changes in the consolidated financial forecast for the fiscal year ending August 31, 2020 from the forecasts released in the “Consolidated financial results for the year ended August 31, 2019” announced on October 10, 2019.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	2,185,728	2,146,942
Notes and accounts receivable - trade	221,296	276,595
Merchandise and finished goods	61,687	56,192
Accounts receivable-other	2,994,747	3,053,339
Other	149,826	151,613
Allowance for doubtful accounts	(57,665)	(58,306)
Total current assets	<u>5,555,619</u>	<u>5,626,377</u>
Non-current assets		
Property, plant, and equipment	162,039	151,510
Intangible assets		
Software	741,617	843,893
Software in progress	80,227	35,603
Other	138	138
Total intangible assets	<u>821,983</u>	<u>879,635</u>
Investments and other assets		
Investment securities	374,070	350,000
Guarantee deposits	119,942	123,413
Deferred tax assets	16,311	16,311
Other	35,898	35,009
Allowance for doubtful accounts	(1,643)	(1,191)
Total investments and other assets	<u>544,579</u>	<u>523,543</u>
Total non-current assets	<u>1,528,601</u>	<u>1,554,689</u>
Total assets	<u>7,084,221</u>	<u>7,181,067</u>

(Thousands of yen)

	As of August 31, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	87,931	83,949
Short-term loans payable	800,000	800,000
Current portion of long-term loans payable	3,634	2,632
Accounts payable - other	3,069,776	3,563,124
Income taxes payable	49,332	23,568
Provision for bonuses	50,032	35,375
Other	142,791	158,975
Total current liabilities	4,203,497	4,667,624
Non-current liabilities		
Other	40,850	32,061
Total non-current liabilities	40,850	32,061
Total liabilities	4,244,348	4,699,686
Net assets		
Shareholders' equity		
Capital stock	1,113,382	1,113,382
Capital surplus	651,365	644,572
Retained earnings	1,562,423	1,194,450
Treasury shares	(669,763)	(635,646)
Total shareholders' equity	2,657,407	2,316,759
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	161,725	143,925
Total valuation and translation adjustments	161,725	143,925
Subscription rights to shares	20,740	20,696
Total net assets	2,839,873	2,481,380
Total liabilities and net assets	7,084,221	7,181,067

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Three months ended November 30, 2018	Three months ended November 30, 2019
Net sales	1,433,572	1,817,120
Cost of sales	545,212	689,034
Gross profit	888,359	1,128,086
Selling, general and administrative expenses	785,568	1,338,248
Operating profit/loss	102,791	(210,162)
Non-operating income		
Interest income	39	-
Reversal of allowance for doubtful accounts	5,005	-
Share of profit of entities accounted for using equity method	4,754	9,589
Other	420	557
Total non-operating income	10,219	10,146
Non-operating expenses		
Interest expenses	563	461
Taxes and dues	-	1,326
Foreign exchange losses	455	-
Other	28	255
Total non-operating expenses	1,046	2,043
Ordinary profit/loss	111,964	(202,059)
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	15,667	-
Total extraordinary income	15,667	-
Profit/Loss before income taxes	127,631	(202,059)
Income taxes	36,106	18,545
Profit/Loss	91,524	(220,604)
Profit/Loss attributable to owners of parent	91,524	(220,604)

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Three months ended November 30, 2018	Three months ended November 30, 2019
Profit/Loss	91,524	(220,604)
Other comprehensive income		
Valuation difference on available-for-sale securities	76,470	(17,799)
Foreign currency translation adjustment	(1,043)	-
Total other comprehensive income	75,426	(17,799)
Comprehensive income	166,951	(238,404)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	166,951	(238,404)
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Significant changes in Shareholders' Equity)

Not applicable.

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

Tax expenses are calculated by rationally estimating an effective tax rate for profit before income taxes for the fiscal year including the current first quarter of the consolidated fiscal year under review after the application of tax effect accounting and multiplying the profit before income taxes by the estimated effective tax rate. However, if the calculation of tax expenses using the estimated effective tax rate would result in a materially unreasonable result, profit or loss before income taxes multiplied by the statutory tax rate takes into account the recoverability of deferred tax assets.

(Segment information)

1) Three months ended November 30, 2018 (from September 1, 2018 to November 30, 2018)

Net sales and profit or loss in reportable segments

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	<i>Demae-can</i> business	Mail order business	Segments total		
Sales					
Sales to external customers	1,116,643	316,928	1,433,572	-	1,433,572
Intersegment sales or transfers	-	53,598	53,598	(53,598)	-
Net sales	1,116,643	370,526	1,487,170	(53,598)	1,433,572
Segment profit/loss	113,880	42,075	155,955	(53,164)	102,791
Other items					
Depreciation	49,153	4,011	53,164	-	53,164

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

The adjustment of (53,164 thousand yen) in the segment profit is depreciation expenses for the reporting segments.

2. The total segment profit in each reporting segment and the total value of adjustment are consistent with the operating profit in the consolidated income statement.

2) Three months ended November 30, 2019 (from September 1, 2019 to November 30, 2019)

Net sales and profit or loss in reportable segments

(Thousands of yen)

	Reportable segments			Adjustments Note 1	Total Note 2
	<i>Demae-can</i> business	Mail order business	Segments total		
Sales					
Sales to external customers	1,509,910	307,210	1,817,120	-	1,817,120
Intersegment sales or transfers	5	64,373	64,378	(64,378)	-
Net sales	1,509,915	371,583	1,881,499	(64,378)	1,817,120
Segment profit/loss	(182,722)	45,377	(137,344)	(72,817)	(210,162)
Other items					
Depreciation	68,865	3,951	72,817	-	72,817

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

The adjustment of (72,817 thousand yen) in the segment profit is depreciation expenses for the reporting segments.

2. The total segment profit in each reporting segment and the total value of adjustment are consistent with the operating profit in the consolidated income statement.