

Demaecan

FY 8/2023 Full-year Results

October 13, 2023

Business Highlights

FY8/2023 KPI Progress

- Rebound from last year's campaigns and the shift in macro environment led to the following KPI results:
 - GMV¹: JPY 205.7 billion YoY 93%
 - Orders: 77.30 million YoY 90%
 - Active Users²: 6.57 million YoY 75%

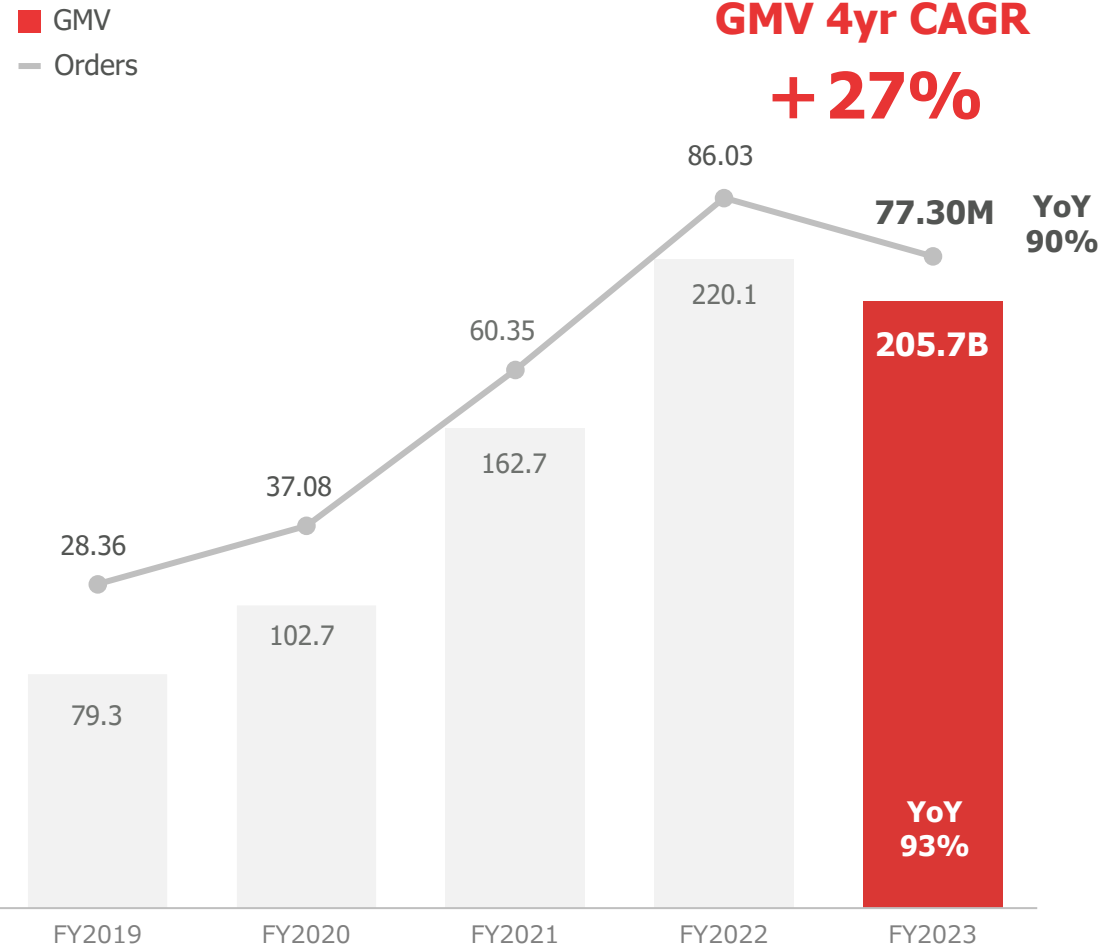
Strategy Review

- Maximize user experience focusing on **improving service and product fundamentals**
- **Significantly improved profitability** from reduced fixed cost due to transformation of business model, and optimization of variable costs from product and process improvements
 - Excluding advertising expenses, **positive profit in Q4**

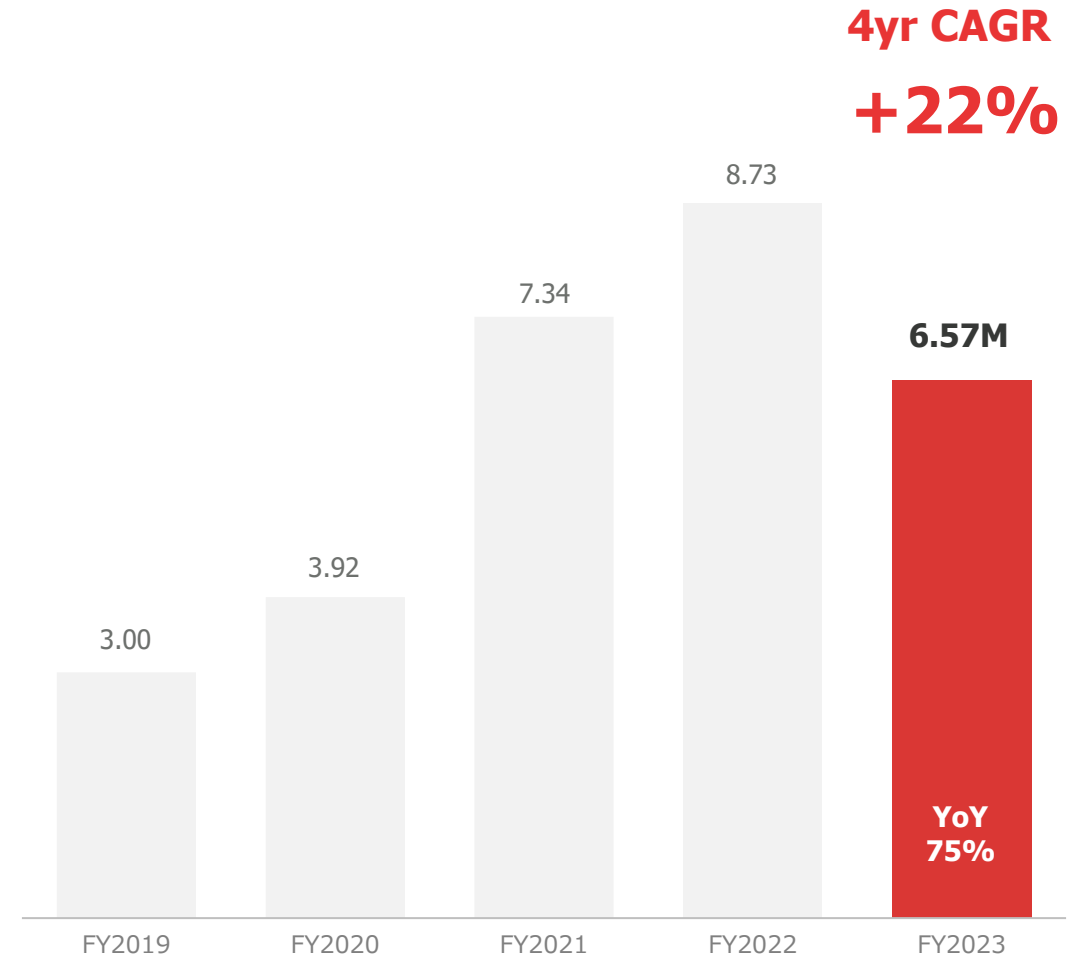
1. GMV (Gross Merchandise Value): item price + delivery fee before discount + other user fees
2. Active Users: users who placed more than one order within the last twelve months (unique users); as of the end of the quarter

Major KPIs (Full-year)

GMV¹ / Orders



Active Users²



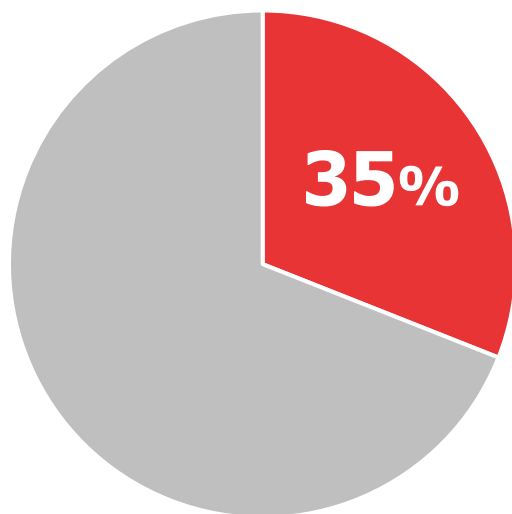
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DAU Share No.1

✓ DAU share maintain No.1 position

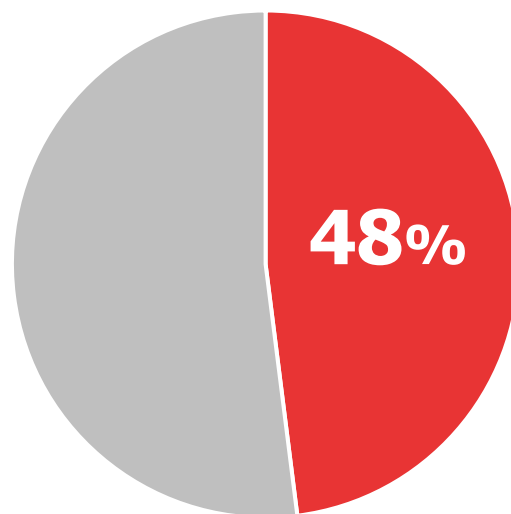
Food Delivery App DAU share ¹

Aug. 2021



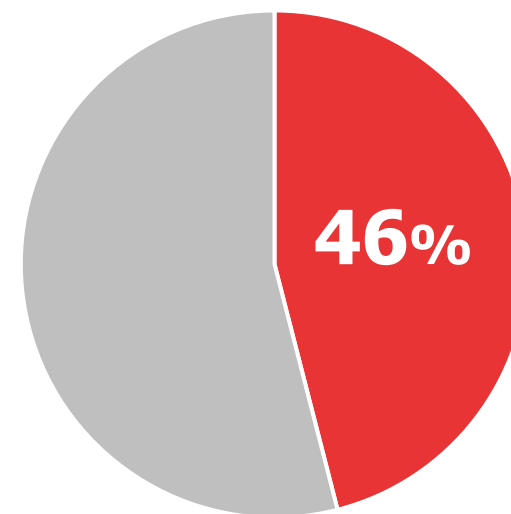
■ Demae-can ■ Others

Aug. 2022



■ Demae-can ■ Others

Aug. 2023



■ Demae-can ■ Others

DAU: Daily Active User

1. Source: data.ai; Among Top 7 Food Delivery aggregator apps in Japan by average smartphone DAU of Aug. 2021 and Aug. 2023; Analysis does not deduplicate users who may use multiple apps. Only Pickup and deliver apps (food delivery aggregators), does not include restaurants that offer delivery services.

Fundamental service & product improvements to maximize user experience

User



- Improved search and recommendation
- Enhanced customer support
- New delivery opportunities

Delivery



- Reduced delivery time and improved delivery efficiency
- Improvement of matching algorithm
- Improved driver satisfaction

Merchant

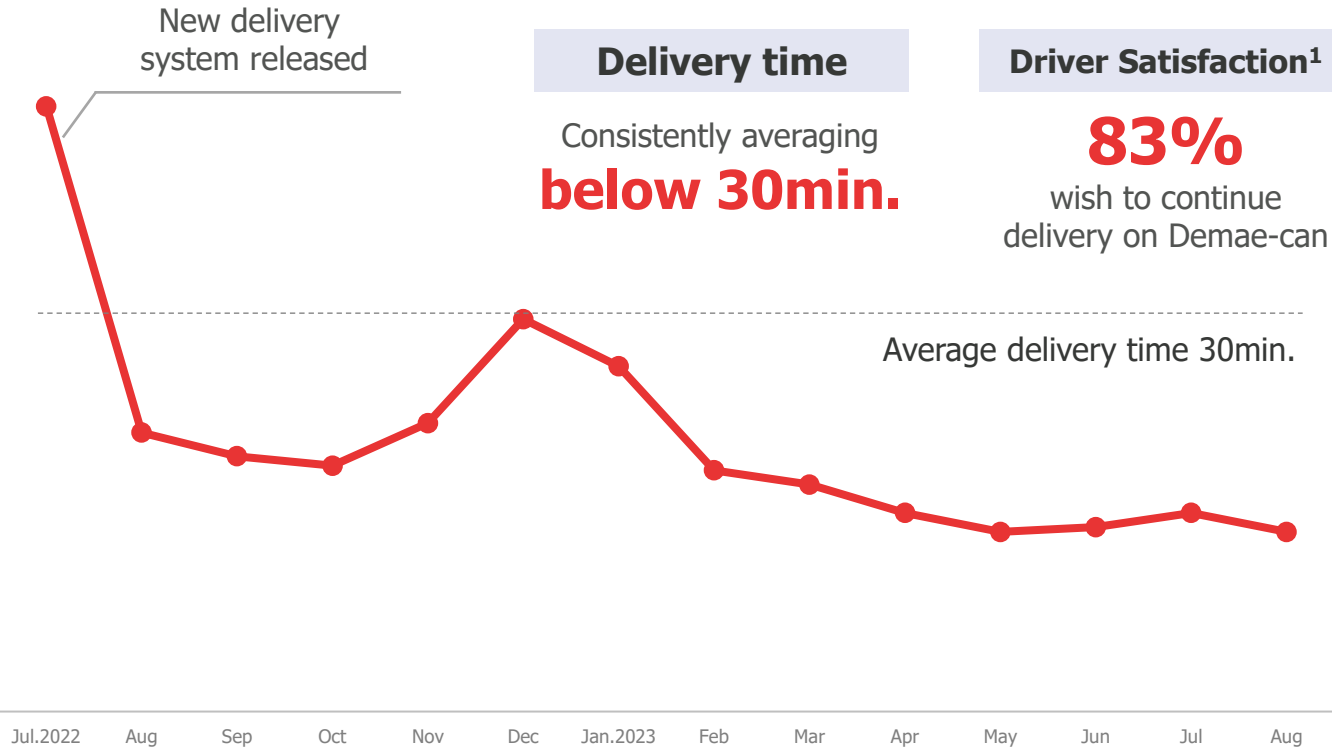


- Expanded delivery operating hours
- Growth in non-food category
- Merchant consulting initiatives

Improved Delivery Experience

- ✓ Delivery time continues to average below 30 min. after the release of the new delivery system
- ✓ Enhancing delivery quality; improved the accuracy of delivery time and reduced rate of late deliveries. Driver satisfaction improved

Improved delivery experience



Initiatives to improve delivery quality

- 1 Improvement of matching algorithm
- 2 Improved prediction model
- 3 Change in offer method to rider
- 4 Dynamic pricing

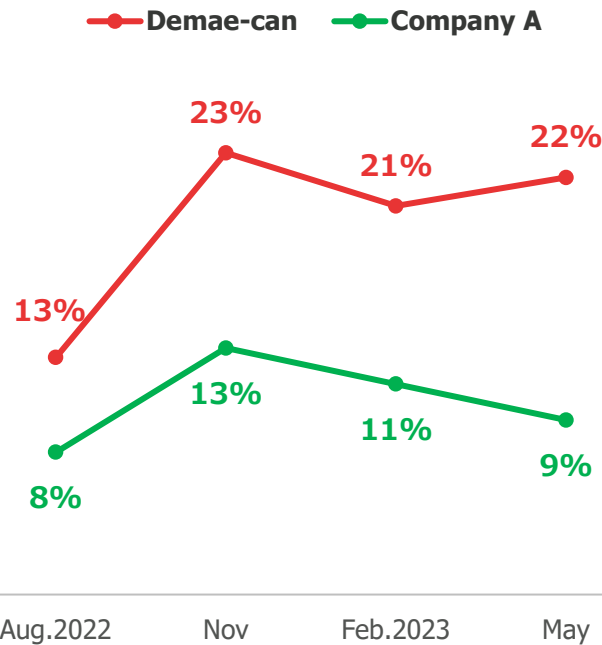
1. Rider survey conducted in June; N=7,075; riders were asked if they want to continue using Demae-can as a delivery platform

Improvements and Opportunities in Service/Product

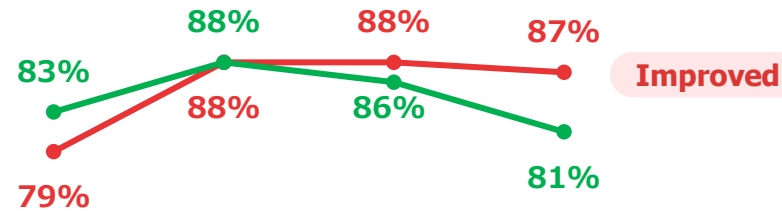
- ✓ NPS improved 9 points compared to August of last year, primarily due to delivery experience improvements
- ✓ Opportunities in overall quality of stores and menus, as well as enhancing the display and search functions

User survey¹

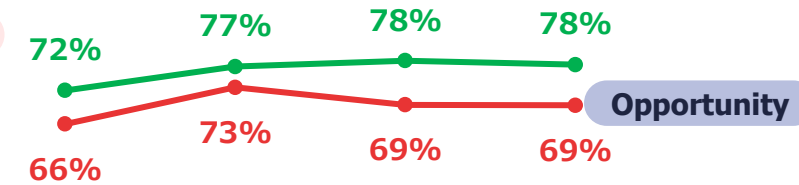
NPS²



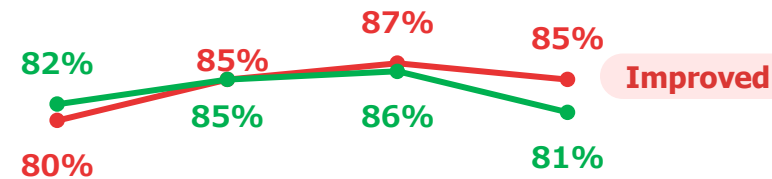
Was it delivered according to the scheduled time?³



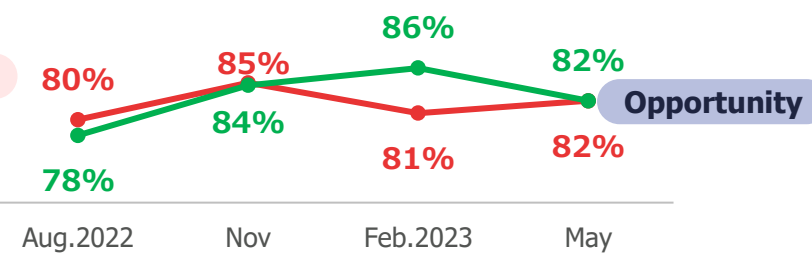
Are there stores/menus you wish to order³



Was the delivery speed as expected?³



Ease of choosing/finding a store to order³



1. Results of a smartphone survey conducted using the LINE Research Platform. 444 respondents from Demae-can and 446 respondents from Company A
 2. NPS is net promoter score; Indicator of customers' intention to continue using the product. The value obtained by subtracting the proportion of critics (those who rated the service 0-6 points) from the proportion of promoters (those who rated the service 9-10 points).
 3. Benefit Evaluation: The proportion of users who scored more than 70 points out of a total of 100. Users who have used the service within the last month

Strategic Priorities

✓ Enhance service quality and experience; to be the platform of choice from users, riders, and merchants

FY8/2022

FY8/2023~FY8/2024

FY8/2025

Nationwide recognition & service expansion

DAU share No.1

Market rationalization

Maximize user experience and satisfaction

Improve unit economics

Establish new revenue models

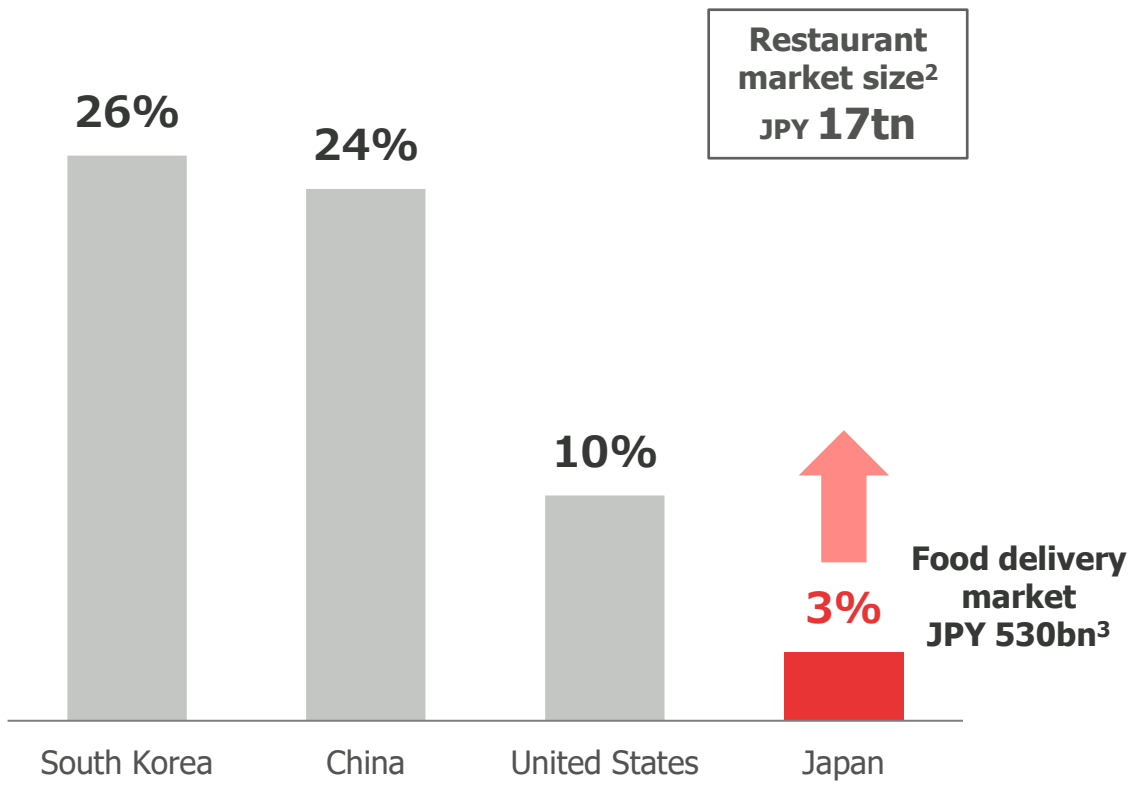
Delivery to be part of daily life

Positive profits

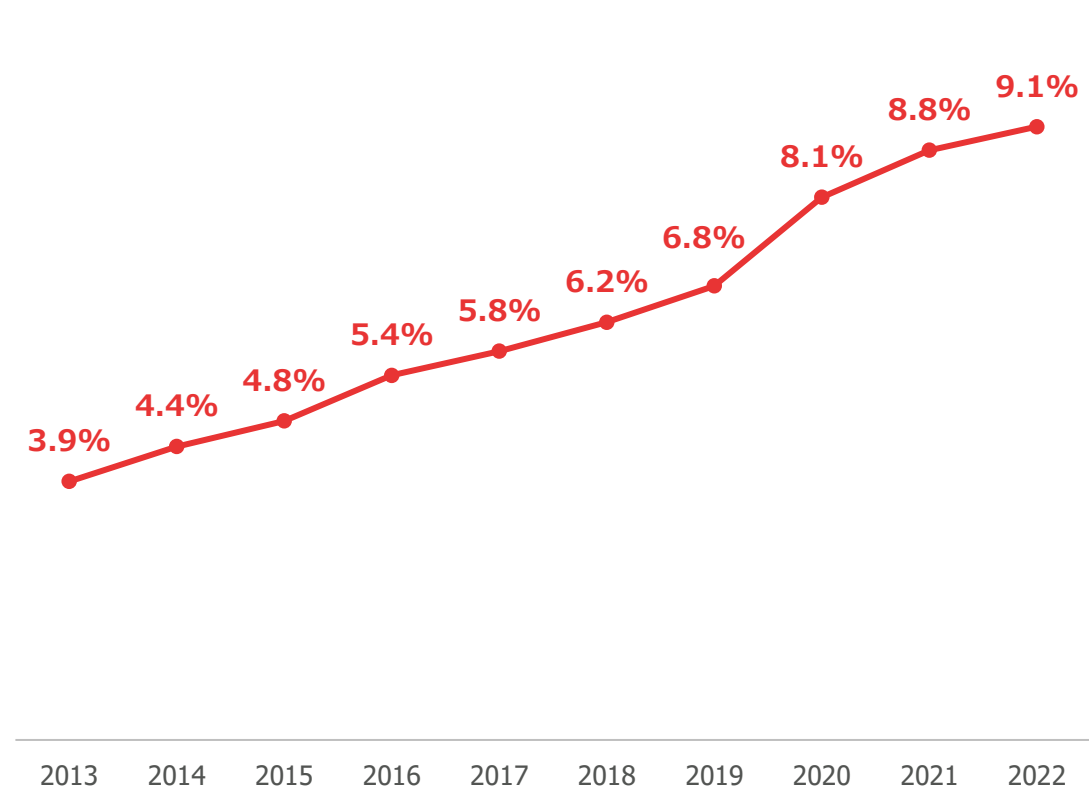
Domestic Food Delivery Market with Significant Growth Potential

✓ Penetration rate of the domestic food delivery market is low; the domestic BtoC e-commerce rate has been steadily growing, indicating significant room for expansion

Penetration rate of the food delivery market¹



Domestic B-to-C e-commerce rate³



1. Source : Statista; "Food delivery market of South Korea, China and United Sates". MarketLine; "Korean restaurant market size". Renub Research; "Chinese restaurant market size". TechSci Research; "U.S. restaurant market size"
 2. Source : Japan Foodservice Association; "Restaurant Market Size 2021"
 3. Source : Ministry of Economy, Trade and Industry; "FY2022 E-Commerce Market Survey - Scale of the Domestic B-to-C EC Market"

Key Focus Area for Food Delivery to be part of Daily Life

✓ Encouraging the use of food delivery through product improvements, area optimization for increased user penetration, and effective promotional initiatives

Key focus areas for FY8/2024

Product upgrade

- Enhance coupon capability
- Improving search and recommendation
- Introducing new settlement methods

Area strategy

- Expansion of service area / acquisition of new merchants
- Operating hours / category coverage / optimization of delivery distance
- Strengthen collaboration with local events and teams

Marketing initiative

- Expansion of merchant driven promotions
- Enhance alignment with other payment services and group services



Improve CVR

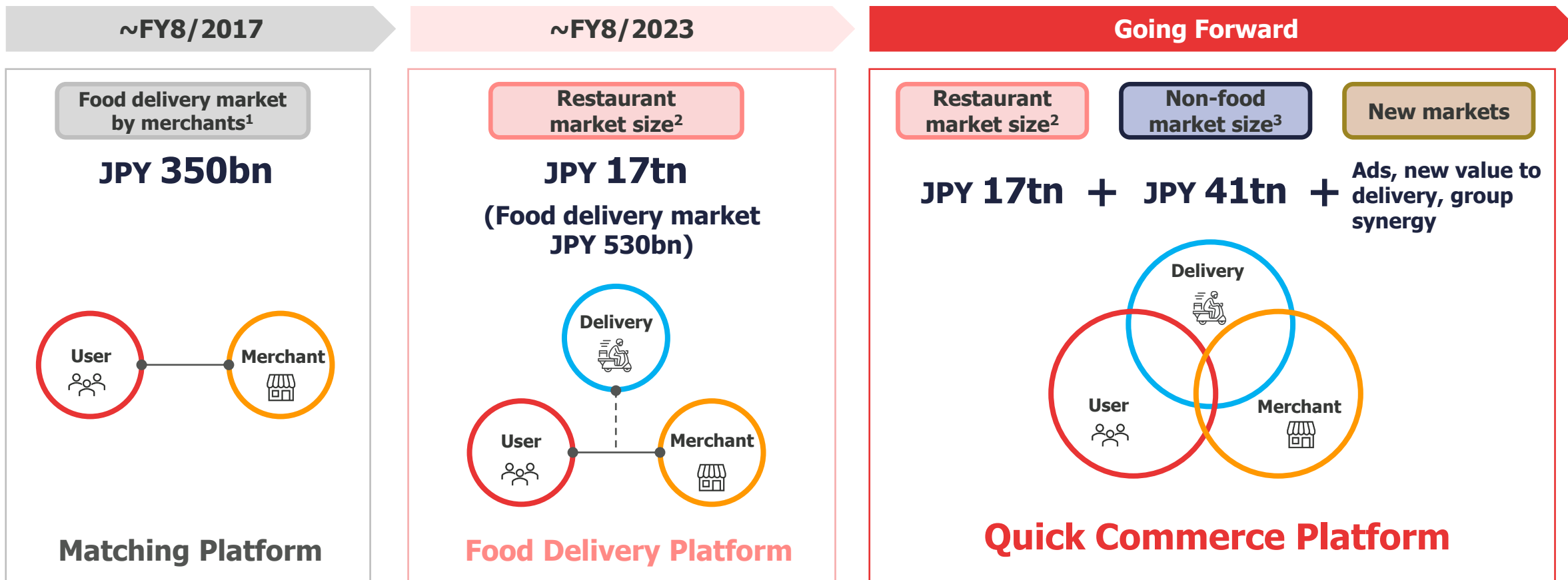
Increase Users

Increase Order Frequency

Improve Retention rate

Expanding Delivery Platform

✓ Expanding the platform to explore untapped markets, driving business expansion and accelerating growth



1. Source : Ministry of Economy, Trade and Industry; "FY2020 E-Commerce Market Survey - Scale of the Domestic B-to-C EC Market"
 2. Source : Japan Foodservice Association; "Restaurant Market Size 2021"
 3. Source : Yano Research Institute; "White Paper on Distribution and Retail Market 2022". The combined market size of supermarkets, convenience stores and drugstores

Product Upgrade

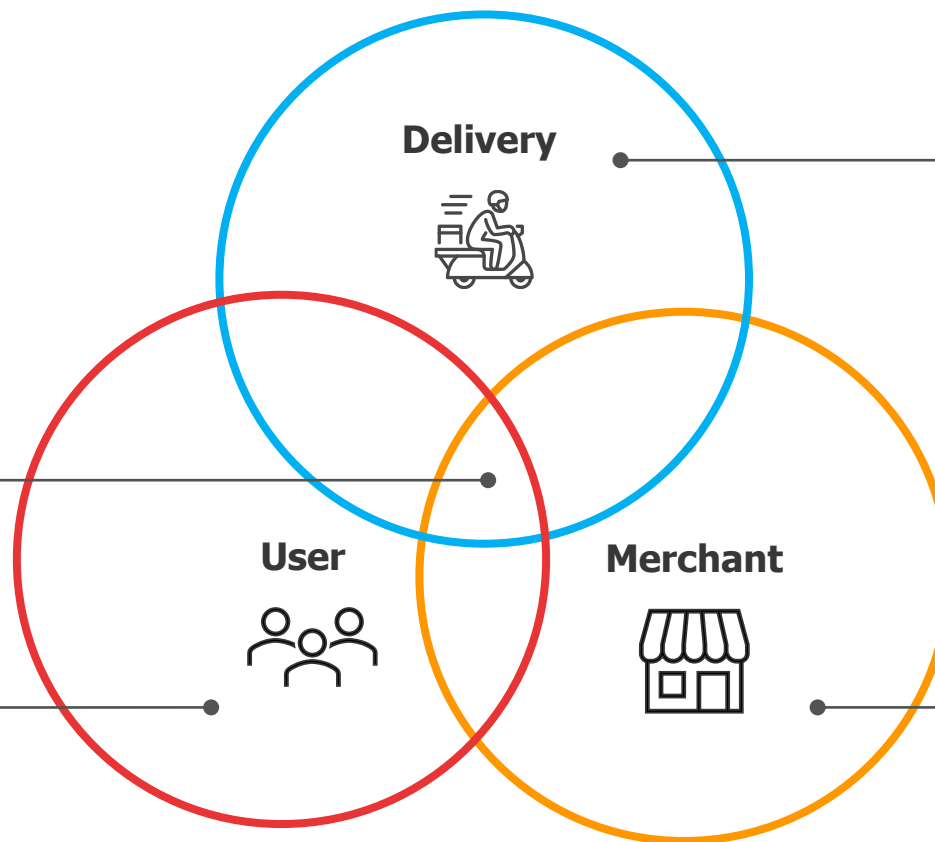
- ✓ Revamp of our product platform foundation to provide more competitive services and products, enhancing both food and non-food deliveries

Red : New capability

Black : Expansion/improvement

- **Quality-centric delivery**
- **Dynamic pricing**
- **Pharmaceutical delivery**
- **New value proposition to delivery**

- **UI/UX**
- **Coupon function**
- **Search and recommendation**
- **Payment methods**



- **Matching algorithm**
- **Prediction model**
- **Multiple/Double picks**
- **Area mgmt. system**

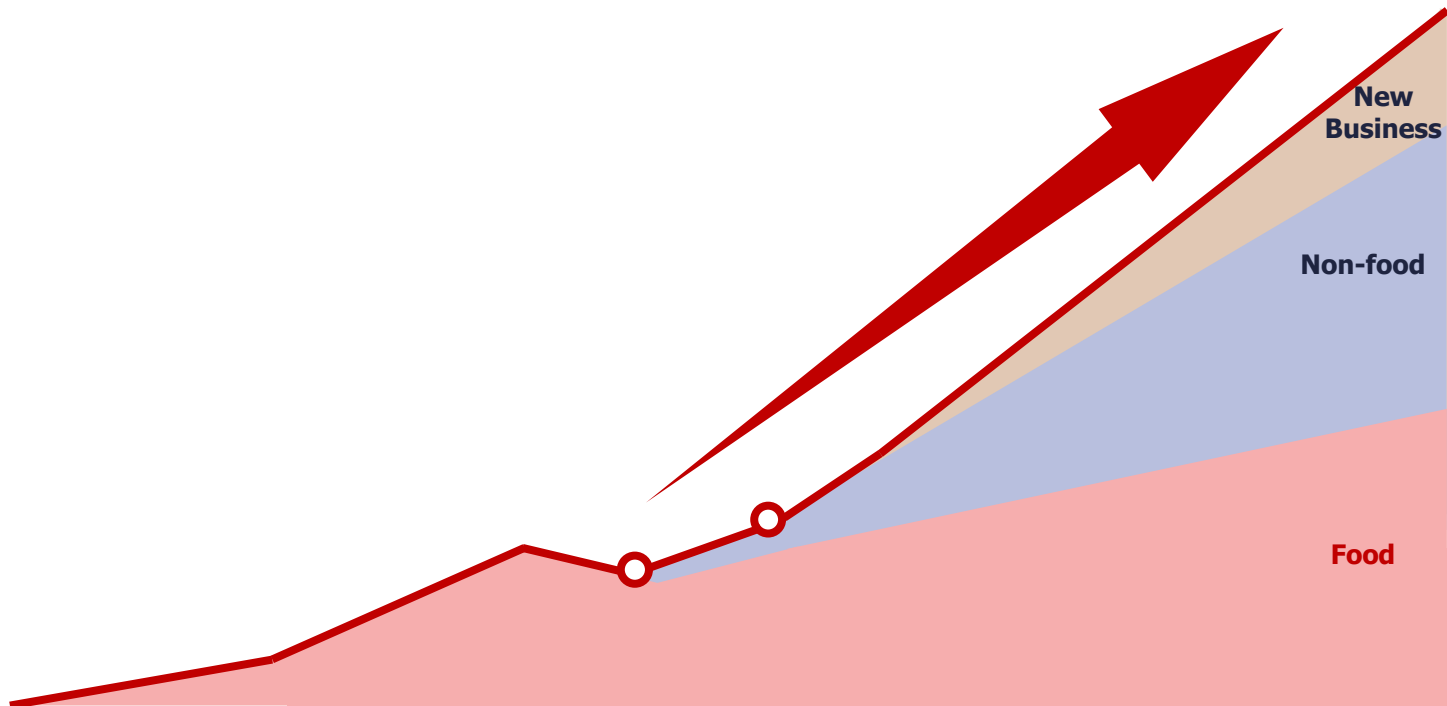
- **POS integration**
- **Advertising function**
- **Inventory integration**
- **Product picking assistance**

Quick Commerce Platform

Long-term Business Growth

✓ In the long term, non-sequential GMV growth by expanding non-food and new initiatives, in addition to food deliveries

Future GMV growth (Illustrative)



Creation and expansion of new businesses
(New delivery value proposition and group synergies)

Growth in non-food category

Further integration of food delivery into daily life

Legacy product infrastructure

New product infrastructure

Financial Highlights

Summary of FY8/2023 Results

- ✓ GMV and sales exceeded revised guidance
- ✓ Operating loss significantly improved to 12.2 billion yen due to lower variable costs and reductions in fixed costs

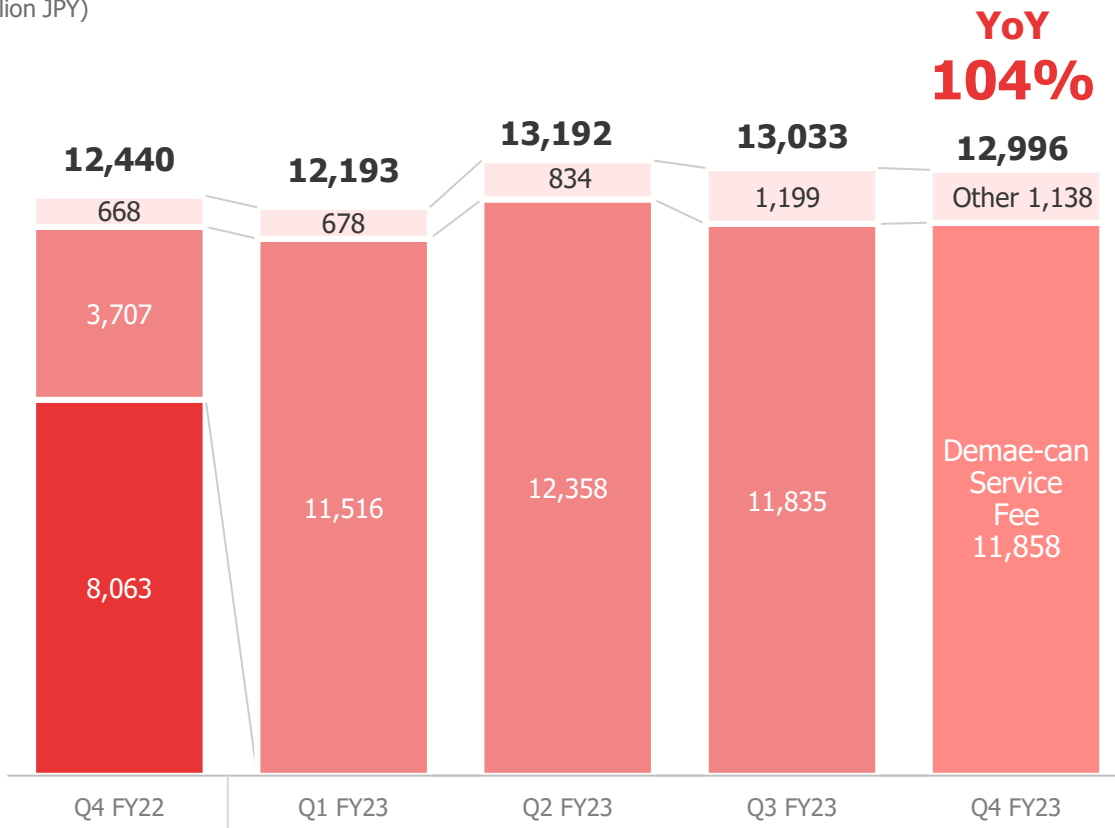
(JPY)	Revised Guidance in 2nd quarter	FY8/2023 Actual Results	YoY
GMV	200.0 bn	205.7 bn	93%
Sales	50.0 bn	51.4 bn	109%
Operating Profit	(17.0 bn)	(12.2 bn)	-

Revenue/Operating Cost

- ✓ Sales grew 104% YoY due to higher ratio of Sharing Delivery orders
- ✓ Operating costs declined 75% YoY due to optimization of cost of sales and control of marketing expenses

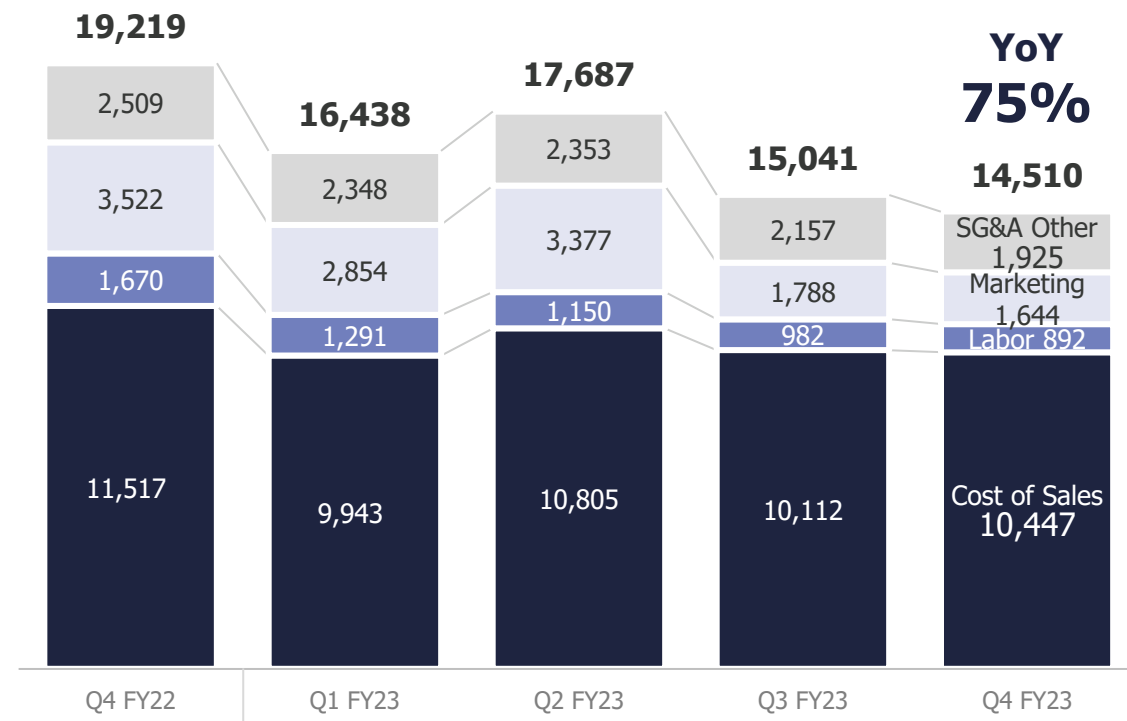
Revenue

(Million JPY)



Operating Cost

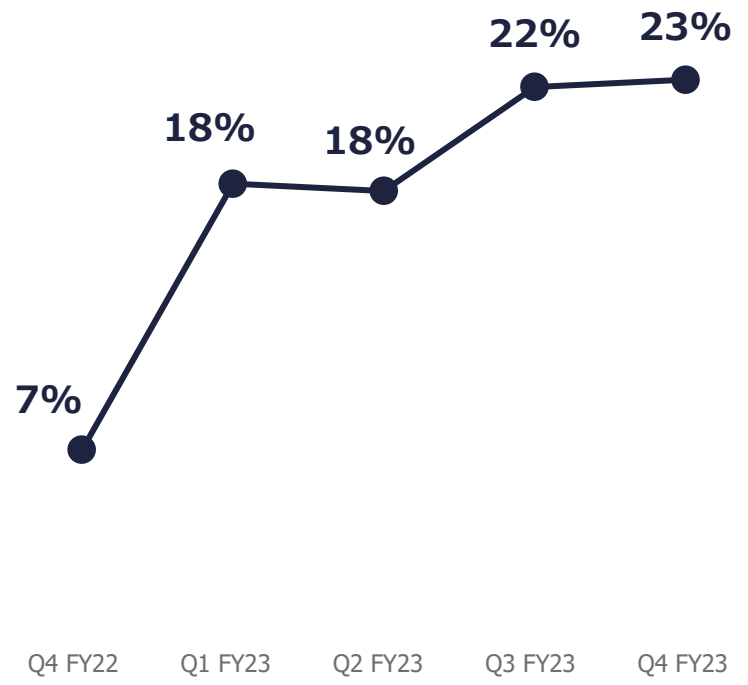
(Million JPY)



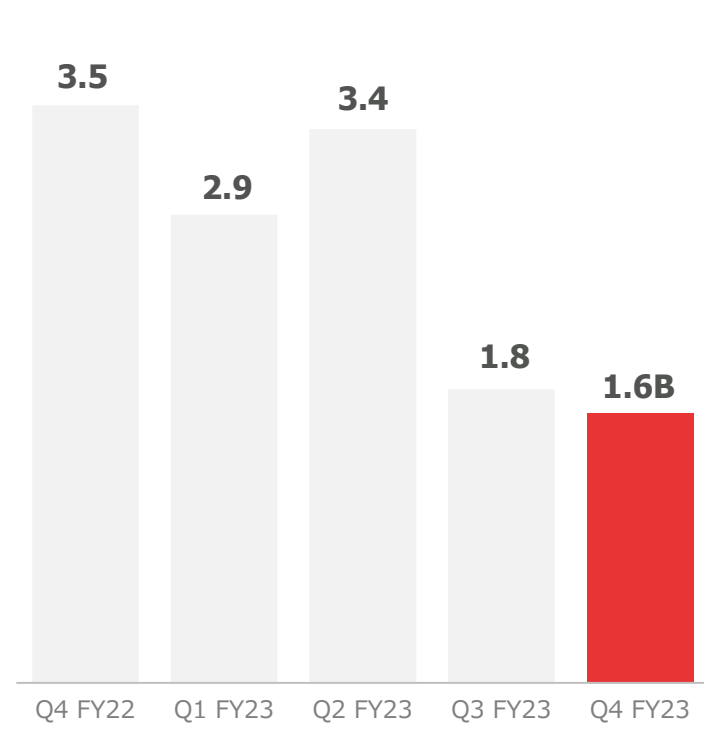
Decreasing Operating Expenses

- ✓ Gross profit margin improved to 23%
- ✓ Excluding advertising expenses, positive profit in Q4

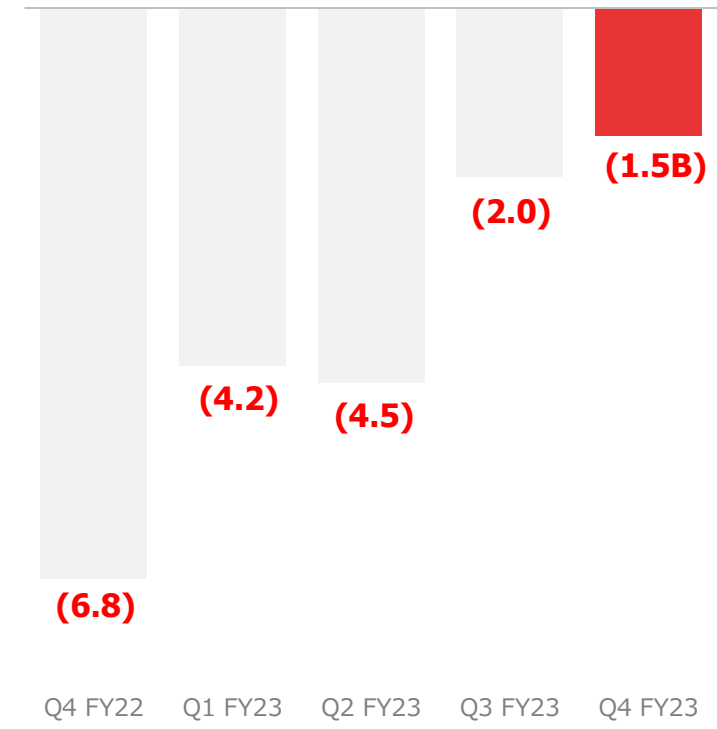
Gross margin



Marketing expense



Operating profit



Strengthen Financial Structure

- ✓ Unit economics improved and approximately 70% of the orders are positive contribution profit
- ✓ Significantly reduced fixed cost, leading to a more robust financial foundation and providing leverage

Variable cost improvement

Order ratio with positive contribution margin¹

FY22 4Q

41%

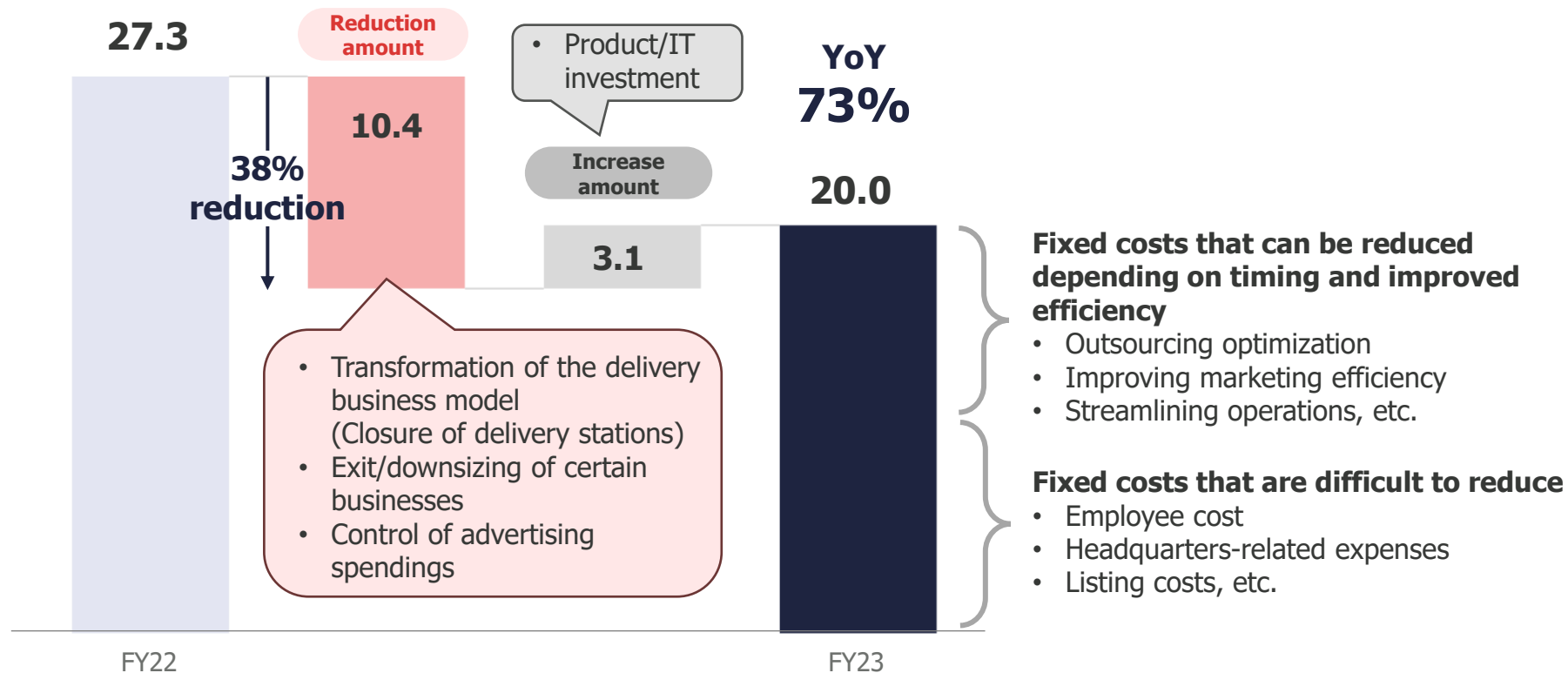


FY23 4Q

68%

Reduction of fixed cost

(Billion JPY)



1. The percentage of monthly orders where the revenue per order (Demae-can service fee, user delivery fee, and other user fees, excluding advertising and settlement fee) exceeds the average variable cost per order (delivery cost, customer support cost and coupon cost)

Key Initiatives to Improve Profitability

Sales

- **Dynamic pricing**
- **Increase order value**
- **Increase ads revenue**

Variable Cost

- **Improve delivery efficiency/
Multiple picks**
- **Reduce failure rate**
- **Improve coupon efficiency**

Fixed Cost

- **Outsourcing optimization**
- **Improve marketing ROI**
- **Streamline operations**

FY8/2024 Guidance

- ✓ FY8/2024 Guidance: GMV 105% YoY and Revenue 109% YoY
- ✓ Improve service quality, balancing growth and profitability

	FY2023 Actual	FY2024 Guidance	
GMV	205.7 bn (YoY 93%)	216.0 bn	YoY 105%
Sales	51.4 bn (YoY 109%)	56.0 bn	YoY 109%
Operating Profit	(12.2 bn)	(8.0 bn)	

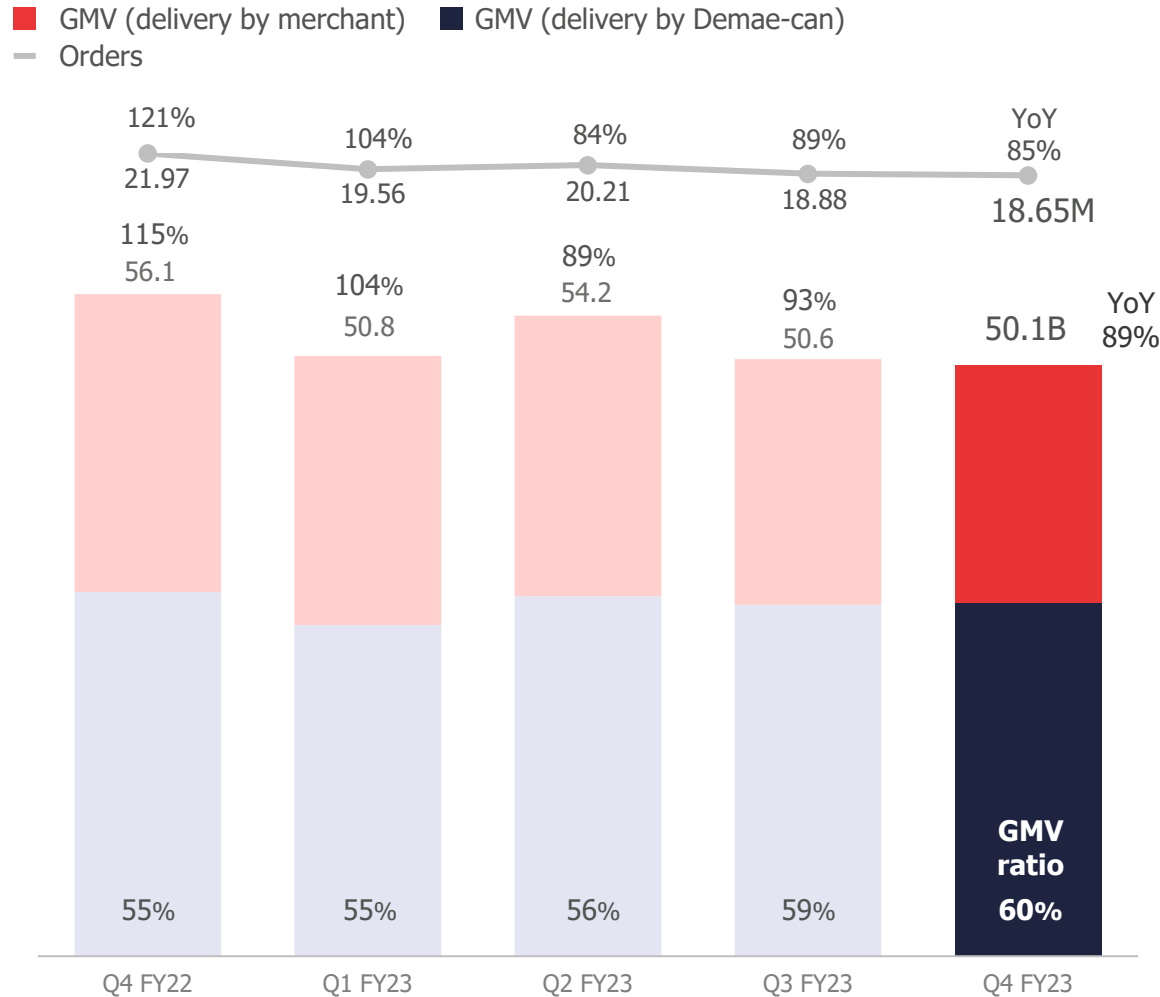
Appendix

Summary of Consolidated Income Statement

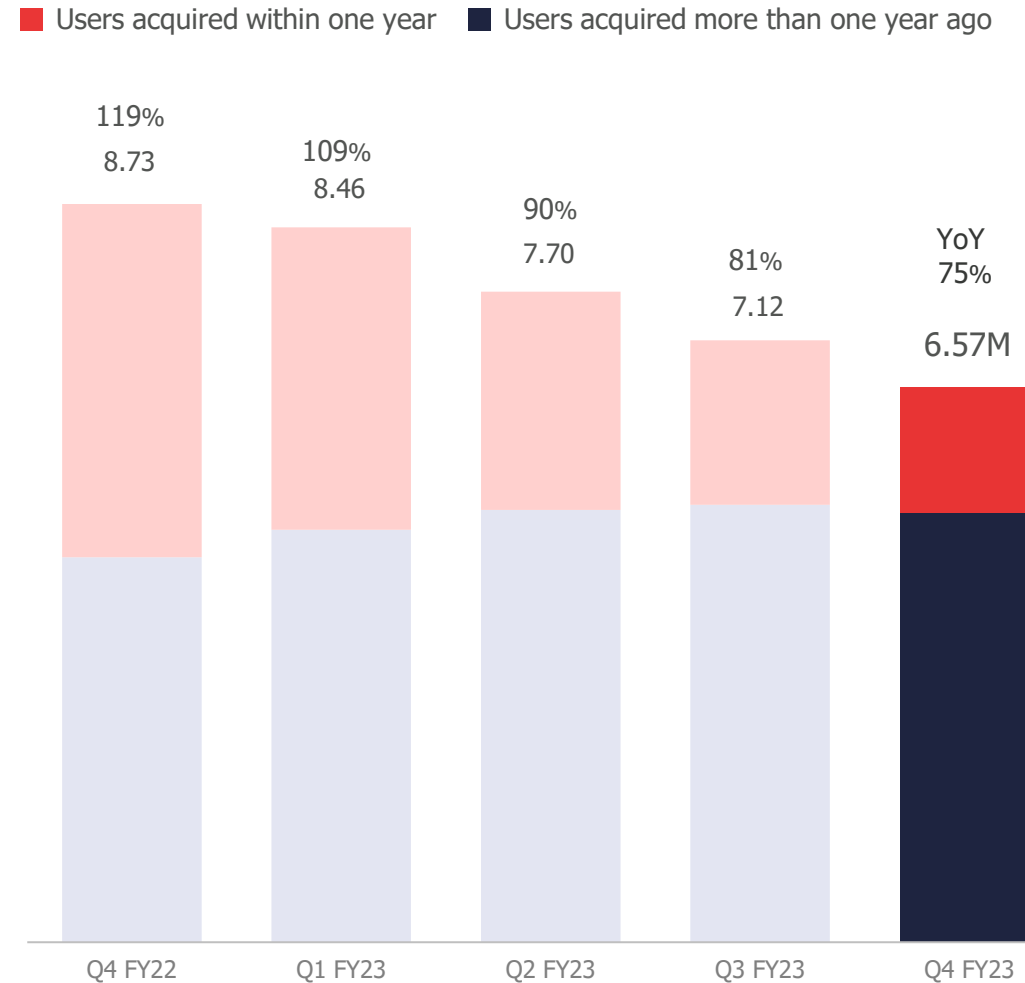
(Million JPY)	FY 8/2022				FY 8/2023					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	QoQ
Net Sales	10,342	12,394	12,136	12,440	12,193	13,192	13,033	12,996	104.5%	99.7%
Demae-can Service Fee	3,389	4,097	3,645	3,707	11,516	12,358	11,835	11,858	-	100.2%
Delivery Commission	6,371	7,586	7,584	8,063						
Other	582	710	907	668	678	834	1,199	1,138	170.1%	94.9%
Cost of Sales	9,805	16,321	11,579	11,517	9,943	10,805	10,112	10,047	87.2%	99.4%
SG&A	9,509	9,523	7,796	7,702	6,494	6,881	4,928	4,462	57.9%	90.6%
Labor	2,391	2,128	2,032	1,670	1,291	1,150	982	892	53.4%	90.8%
Marketing	5,135	5,996	3,892	3,522	2,854	3,377	1,788	1,644	46.7%	91.9%
Other	1,982	1,398	1,872	2,509	2,348	2,353	2,157	1,925	76.7%	89.3%
Operating Profit	(8,972)	(13,450)	(7,239)	(6,779)	(4,244)	(4,494)	(2,007)	(1,513)	-	-

Major KPIs (Quarterly)

GMV¹ / Orders



Active Users (as of the end of the quarter)²



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 as of the end of the quarter

Thank you 

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