



**FY 8/2022 1<sup>st</sup> Quarter Results**

January 14, 2022

# Business Highlights

## Market Environment

- **Food delivery demand continues to be strong** despite all state of emergency declarations lifted in October and demand for dining out recovered significantly
- Demae-can's GMV reached 188.2 billion JPY during FY 2021, an increase of **57%** from last year
- A leading competitor announced the **exit and divestiture of its Japan business**

## Focused Initiatives

- Focused strategy to increase **market share**
- Launched **large-scale promotion** from November 2021
  - Orders in Greater Tokyo area<sup>1</sup> exceeded **200% YoY**
  - **No.1** app downloads in 2021<sup>2</sup>
  - Accelerated **acquisition** of new users and riders, and improved **retention**

## 1Q KPI Progress

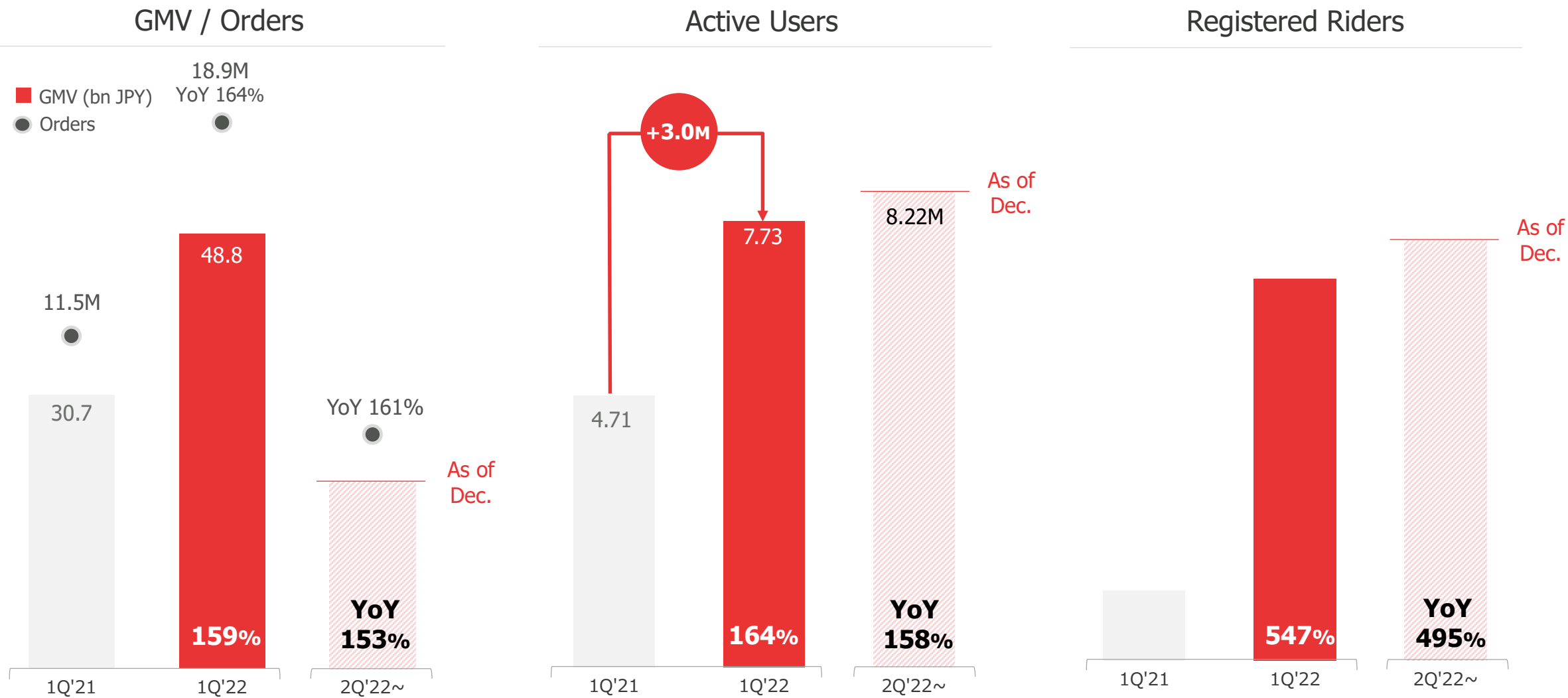
- GMV: JPY48.8 billion YoY 159%
- Active users: 7.73 million YoY 164%
- Number of registered riders: YoY 547%

GMV(Gross Merchandise Value): item price(price before coupon discount is applied) + delivery fee before discount \*GMV prior to October 2020 excluded discounts on delivery fees

1. Tokyo and 3 adjacent prefecture (Kanagawa, Saitama, Chiba)

2. Source: AppAnnie, cumulative app downloads from Jan to Dec 2021 of "Food & Drink" and "Food Delivery/Takeout" category (iOS and Google Play combined)

# All major KPIs grew YoY and show steady growth in December



GMV(Gross Merchandise Value): item price(price before coupon discount is applied) + delivery fee before discount \*GMV prior to October 2020 excluded discounts on delivery fees  
 Active Users: users who placed more than one order within the last twelve months (unique users)  
 Active users and registered riders are as of the end of quarter

# Key Initiatives: large-scale promotion from November

- ✓ Large-scale promotion focused in Greater Tokyo area, which account for more than 60% of Demae-can's GMV
- ✓ Market share expansion as KGI

	Large-scale promotion (November to January)		KPI
User	<ul style="list-style-type: none"><li>• Free Delivery Fee Campaign for Greater Tokyo area<ul style="list-style-type: none"><li>• No delivery fee for users ordering from Sharing Delivery merchants (Demae-can delivery)</li></ul></li></ul>	Orders	<ul style="list-style-type: none"><li>• New acquisition</li><li>• Frequency</li></ul>
Merchant	<ul style="list-style-type: none"><li>• Weekly special price campaign<ul style="list-style-type: none"><li>• Exclusive promotion with specific merchants</li></ul></li></ul>		<ul style="list-style-type: none"><li>• GMV per merchant</li></ul>
Rider	<ul style="list-style-type: none"><li>• "Start-dash" campaign for new riders</li><li>• Comeback campaign to reactivate dormant riders</li><li>• Additional incentives</li></ul>		<ul style="list-style-type: none"><li>• New acquisition</li><li>• Retention</li></ul>

# Orders increase

- ✓ Orders in November and December exceeded 200% YoY
- ✓ New TV commercial featuring popular content creators ranked 2<sup>nd</sup> most favorite TV ads

**Orders<sup>1</sup>**  
in Greater Tokyo area  
in Nov. & Dec.

YoY **200%+**

Ranked 2nd most favorite TV ads<sup>2</sup>



**De** Merchants

Over **100,000<sup>3</sup>**

1. Orders in Greater Tokyo area
2. Source: CM Soken Consulting; Among 2,329 TV ads aired on five flagship stations in Tokyo during the period of Nov. 20, 2021 to Dec. 4, 2021. Survey based on 1,500 people living in Kanto region ([https://www.cmdb.jp/cmindexweb/cmlikability\\_2021121st\\_20211213/](https://www.cmdb.jp/cmindexweb/cmlikability_2021121st_20211213/))
3. Includes DeDirect merchants

# New user acquisition & increased frequency

- ✓ No. 1 App download in 2021
- ✓ Expanded acquisition of new users and improving frequency

## Expansion of new user acquisition

### App Downloads<sup>1</sup>

**Food & Drink** category  
**Food Delivery/Takeout** category

**1st**

### New User Acquisition<sup>2</sup>

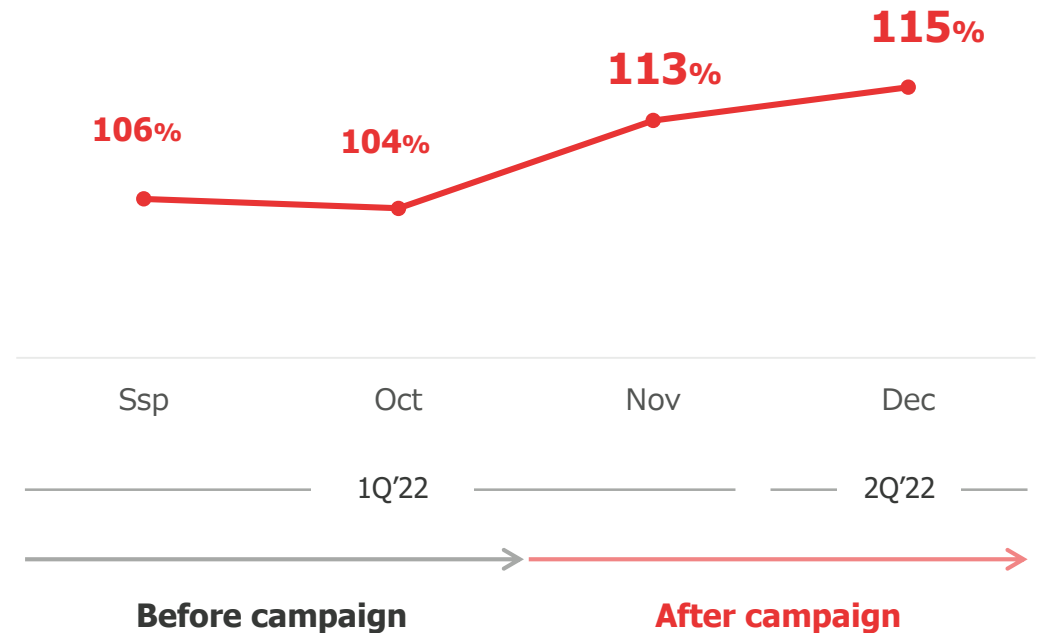
New user acquisition  
before vs after  
the campaign

**70%UP**

Acquisition of  
younger generation  
accelerated

## Improving frequencies

### Orders per PU YoY<sup>3</sup>



- Source: AppAnnie, cumulative app downloads from Jan to Dec 2021 of "Food & Drink" and "Food Delivery/Takeout" category (iOS and Google Play combined)
- Comparison of new users acquired in Greater Tokyo area in 2 months before (Sept-Oct) and after (Nov-Dec) promotion

- Average number of orders per PU in Greater Tokyo area  
PU: Paid User = number of orders

# Increase GMV per merchant

- ✓ Weekly campaign at selected merchants
- ✓ GMV for participating merchants increased 3.7x WoW

Participating merchants<sup>1</sup>

Avg. GMV per merchant<sup>2</sup>

WoW **3.7x**

## Participating merchants

第1弾

YOSHINOYA 白高屋 COCO'S GINZA-GO

第2弾

大塚 OOTOYA Jelly Pasta がん高司 Volks

第3弾

FRESHNESS BURGER いざなり/ステーキ IZUMI STEAK は SUSHIRO

第4弾

First Kitchen 焼肉三兄弟 華屋 魚民

第5弾

くら 田中 ボボラーメン 南家レストラン

第6弾

BURGER KING 松のぼり 安楽亭 ぎゅぎゅ

※一部対象外の店舗がございます。

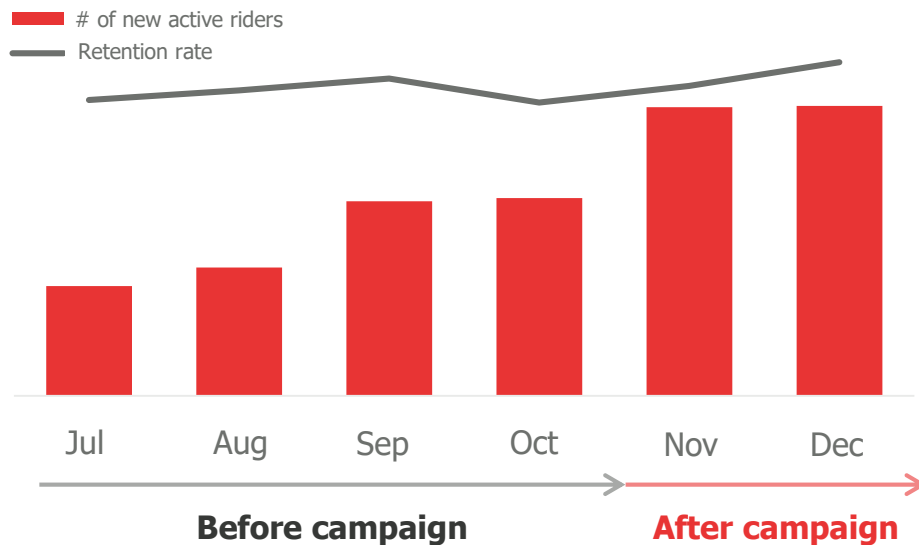
1. Special price offered by participating merchants on a weekly basis during nine weeks from November 2021 to January 2022  
 2. Comparison of GMV per merchant during the week before and after participating in the campaign



# New rider acquisition & improved retention

- ✓ New active riders increased and retention of riders improved
- ✓ Ranked No. 1 in three categories of riders' satisfaction survey

## New active riders x retention rate<sup>1</sup>



New active riders<sup>2</sup>

New active riders  
before vs after  
the campaign

**50% UP**

## Awarded for riders' satisfaction



- **No.1 Overall satisfaction**
- **No.1 Compensation satisfaction**
- **No.1 Support satisfaction**

Survey Method: Internet survey, Survey Period: October 22 - 27, 2021, Survey Outline: Satisfaction survey of delivery personnel for four food delivery services, Survey targets: Males and females, 20-69 years old, nationwide, more than 200 people with experience as a rider for each service (since March 2020), Survey implementation: Shopper's Eye Co. Companies to be compared: Top 3 companies in Google search for "food delivery service" (as of 22:00, September 29, 2021) \*Excluding articles and advertisements, with at least 200 samples

1. Retention rate of riders who worked the following month since first month  
2. Comparison of new active riders acquired in Greater Tokyo area in 2 months before (Sept-Oct) and after (Nov-Dec) promotion

# Synergy with ZHD/LINE

- ✓ Merchants acquisition through PayPay's sales network
- ✓ Increase network promotion, by gifting to friends on LINE via LINE Gift

PayPay merchant acquisition

 PayPay × **Demaecan**

**Sales collaboration to expand merchant base**

- Merchant acquisition leveraging PayPay's sales network

Demaecan coupon on LINE Gift

**LINE GIFT** × **Demaecan**

**Demaecan is now on LINE Gift**

- Utilizing LINE Platform for new users via LINE friends network



# Initiatives in the retail category

- ✓ PayPay Direct by ASKUL<sup>1</sup> ranked No. 1 on the Demae-can platform merchant ranking
- ✓ Partner with Seino Holdings to strengthen last mile delivery in the retail category

Demae-can platform merchant ranking<sup>2</sup>



# No. 1

All 5 stores  
ranked in Top 10

Alliance with Seino Holdings

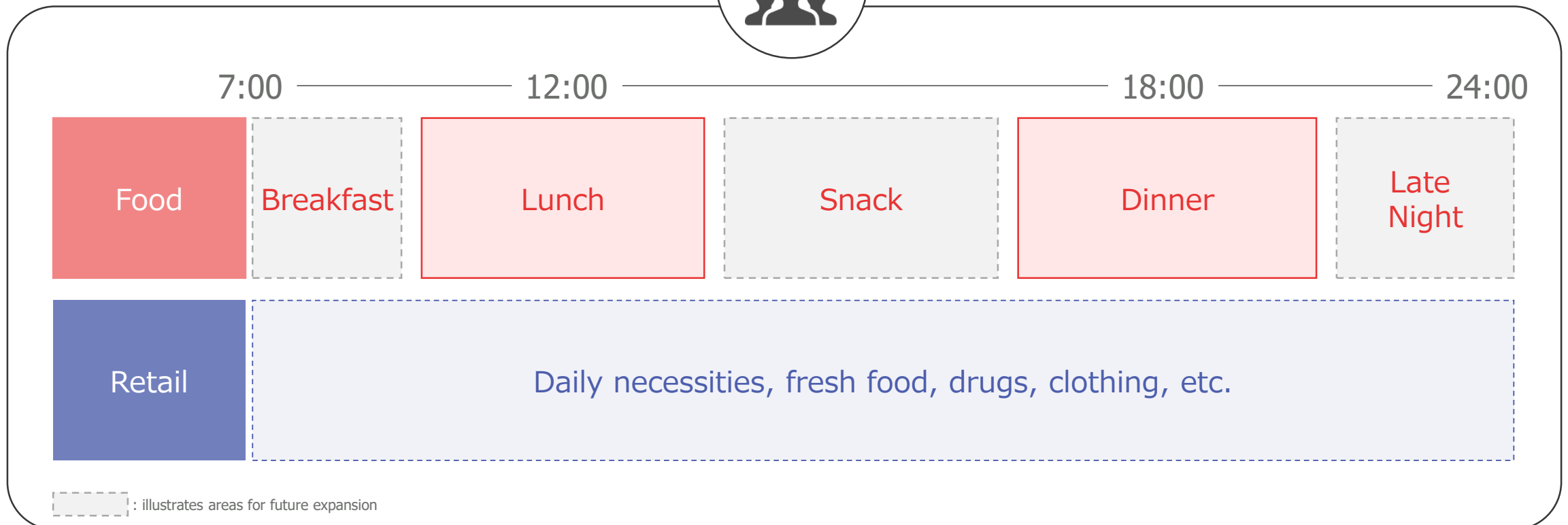
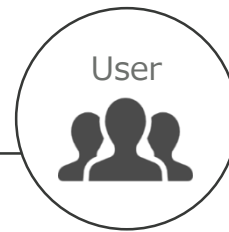


- Sharing retail customers and delivery know-hows
- Catering to users' delivery needs by providing 'scheduled' and 'quick' delivery
- Expanding area coverage to rural and suburban cities, etc.

1. PayPay Direct by ASKUL<sup>1</sup> is a PoC of quick commerce with Z Holdings to provide delivery service for daily goods handled by ASKUL using the Demae-can's delivery network  
2. Actual results of December 2021

# Last mile delivery as a daily infrastructure

- ✓ Expand user demand to non-lunch and dinner hours for delivery to be part of everyday life
- ✓ Seamless user experience for non-food delivery such as daily necessities
- ✓ Become the No.1 delivery platform to be the reliable last mile infrastructure for various use



# Financial Highlights

# Amendments to the Financial Results

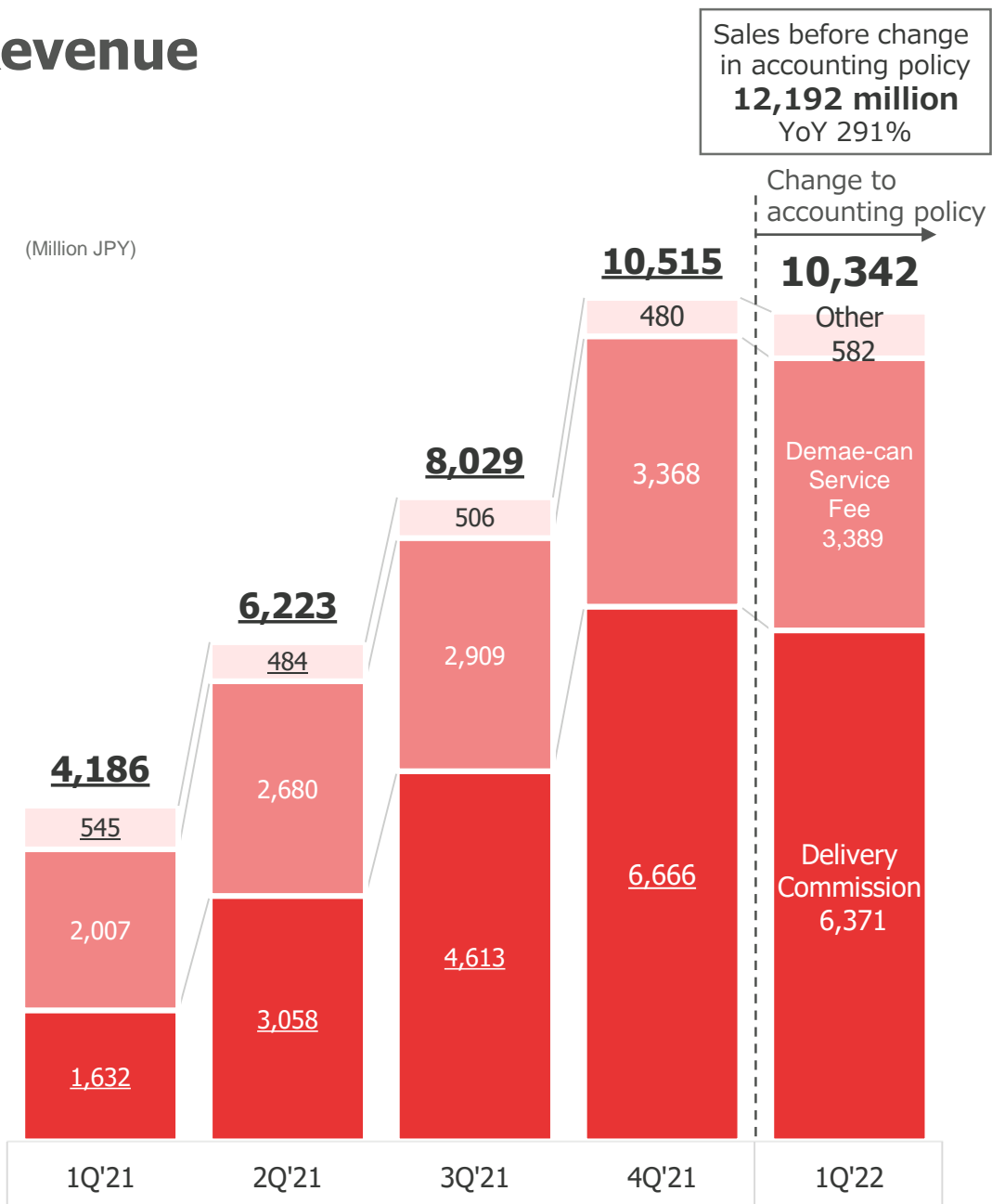
Background and Error in balance	<ul style="list-style-type: none"> <li>Error in the balance of accounts receivables and payables were identified during the auditing procedures for the fiscal year ended August 2021</li> <li>Overstatement in both accounts receivable of 2,325 million yen<sup>1</sup> and accounts payable of 985 million yen<sup>1</sup> from the fiscal year ended August 2016 and thereafter</li> </ul>								
Cause	<ul style="list-style-type: none"> <li>Company did not adequately recognize risks of high-volume and complex accounting process arising from the rapid expansion of the business and delayed in establishing framework to address such risks, the Company continued its business without addressing problems of operational process to ensure proper accounting</li> </ul>								
Measures to Prevent Recurrence	<table border="0"> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>① Holding regular cross-departmental risk assessment meetings including the Finance and Accounting Group</li> <li>② Increasing the number of employees in the Finance and Accounting Group to strengthen its accounting structure</li> <li>③ Developing accounting process manuals for transactions with franchisees and settlement agents</li> </ul> </td> <td style="vertical-align: top; padding-left: 20px;"> <ul style="list-style-type: none"> <li>④ Strengthening and thoroughly managing accounts receivable and accounts payable by counterparty</li> <li>⑤ Strengthening ratio analysis of agency fee costs</li> <li>⑥ Strengthening journal entries in the franchisee process</li> </ul> </td> </tr> </table>							<ul style="list-style-type: none"> <li>① Holding regular cross-departmental risk assessment meetings including the Finance and Accounting Group</li> <li>② Increasing the number of employees in the Finance and Accounting Group to strengthen its accounting structure</li> <li>③ Developing accounting process manuals for transactions with franchisees and settlement agents</li> </ul>	<ul style="list-style-type: none"> <li>④ Strengthening and thoroughly managing accounts receivable and accounts payable by counterparty</li> <li>⑤ Strengthening ratio analysis of agency fee costs</li> <li>⑥ Strengthening journal entries in the franchisee process</li> </ul>
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Amendments to Financial Statements	(mm yen)	<b>Fiscal year 8/2020</b>			<b>Fiscal year 8/2021</b>				
		Before correction	After correction	Variance	Before correction	After correction	Variance		
	Net sales	10,306	10,316	9	29,009	28,954	-55		
	Operating profit	-2,623	-2,687	-64	-17,991	-19,157	-1,166		
	Profit attributable to owners of parent	-4,112	-4,177	-64	-20,652	-21,869	-1,217		
	Total assets	35,986	35,376	-610	22,715	20,380	-2,335		
	Total net assets	28,480	28,415	-64	8,157	6,876	-1,282		

Please refer to press release on December 28, 2021 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 and Notice Regarding the Receipt of the Investigation Report by the Internal Investigation Committee.

<sup>1</sup> as of the end of August 2021

# Revenue

(Million JPY)



## Change to accounting policy<sup>1</sup>

A portion of sales promotion expenses for users, such as discounts on delivery charges, are deducted from sales

- ✓ Revenue based on previous accounting policy 12,192 million yen, **YoY 291%**

### Other

YoY +36M JPY (YoY 107%)  
Decline of business revenue from subsidiary

### Demae-can Service Fee

YoY +1,382M JPY (YoY 169%)  
Increase in orders dues to the expansion of merchants and users

### Delivery Commission

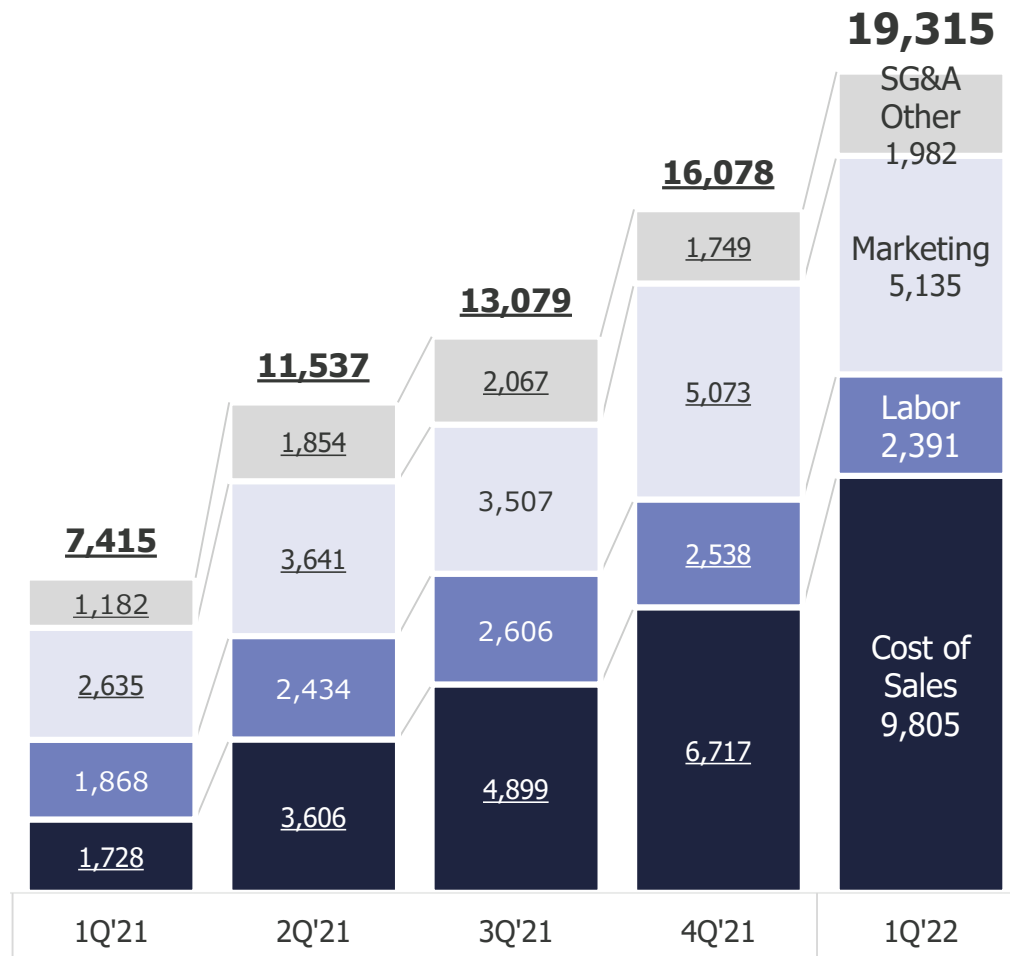
YoY +4,739M JPY (YoY 390%)  
Increase in the number of sharing delivery orders

1. Accounting treatment of a part of sales promotion expenses for users, etc., which were recorded in selling, general and administrative expenses, has been changed to reduce from the transaction price as transactions with variable consideration

Amendment to figures are underlined

# Cost of Sales / SG&A

(Million JPY)



## SG&A Other

YoY +799M JPY (YoY 168%)  
Increase in outsourcing fee (merchant acquisition)

## Marketing

YoY +2,500M JPY (YoY 195%)  
Increase in campaign and promotion cost

## Labor

YoY +523M JPY (YoY 128%)  
Increase in part-time staff (in-house delivery)

## Cost of Sales

YoY +8,077M JPY (YoY 567%)  
Increase in outsourcing fee (outsource delivery)



1Q GMV:  
**48.8B** (YoY 159%)

## Delivery by

Merchant	Sharing Delivery
<b>GMV 24.1B (YoY 97%)</b>	<b>GMV 24.7B (YoY 405%)</b>

### Merchant Take Rate

Ecommerce model					
(B)	1Q	2Q	3Q	4Q	1Q
Platform fee	2.0	2.6	2.9	3.4	3.4
Other revenue	<u>0.2</u>	<u>0.3</u>	0.3	0.3	0.3
Marketing	<u>2.6</u>	<u>3.4</u>	3.1	<u>4.5</u>	5.1
Delivery fee voucher	-	0.1	0.3	0.4	1.8
Other cost	<u>1.7</u>	<u>2.4</u>	<u>3.3</u>	<u>2.4</u>	2.5
Software investment <sup>1</sup>	-	-	-	-	0.8
<b>OP</b>	<b>(2.0)</b>	<b>(3.0)</b>	<b>(3.5)</b>	<b>(3.6)</b>	<b>(6.5)</b>

### Delivery Take Rate & User Fee

Delivery model					
(B)	1Q	2Q	3Q	4Q	1Q
Net delivery fee	1.6	2.8	4.2	6.1	6.3
Delivery fee voucher	-	0.1	0.3	0.4	1.8
Gross delivery fee	<u>1.6</u>	<u>3.0</u>	<u>4.6</u>	<u>6.6</u>	8.2
In-house rider cost	1.4	1.9	2.0	1.9	1.7
Outsource rider cost	<u>1.0</u>	<u>2.8</u>	<u>3.5</u>	<u>6.4</u>	8.2
Other cost	0.3	0.5	0.5	0.5	0.6
<b>OP</b>	<b>(1.2)</b>	<b>(2.2)</b>	<b>(1.5)</b>	<b>(2.2)</b>	<b>(2.4)</b>

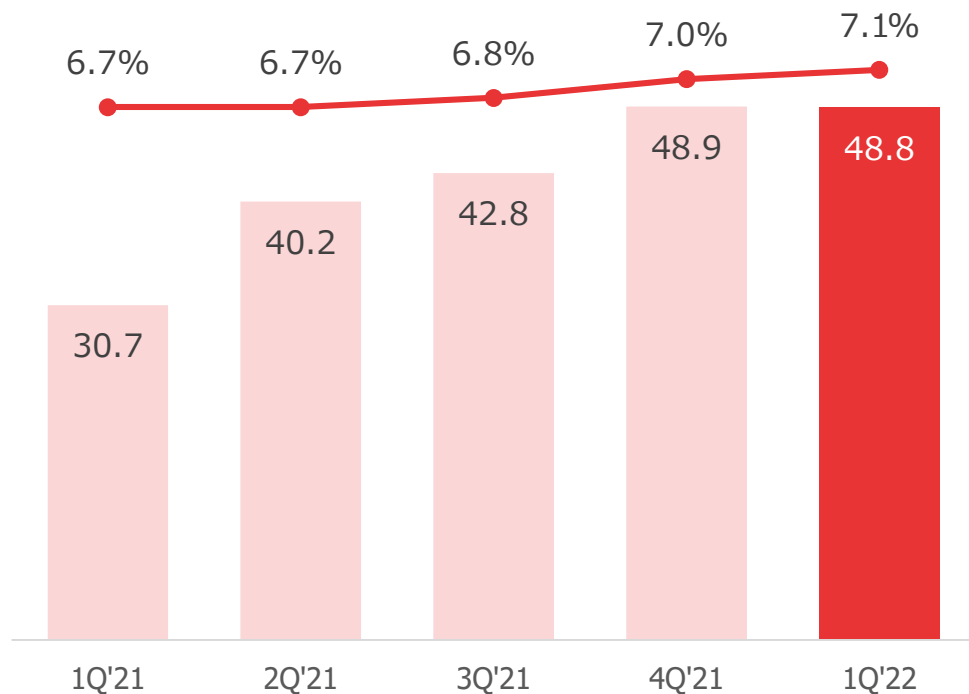
1. Expense item from this quarter  
Amendment to figures are underlined

# Ecommerce : Take rate and marketing cost

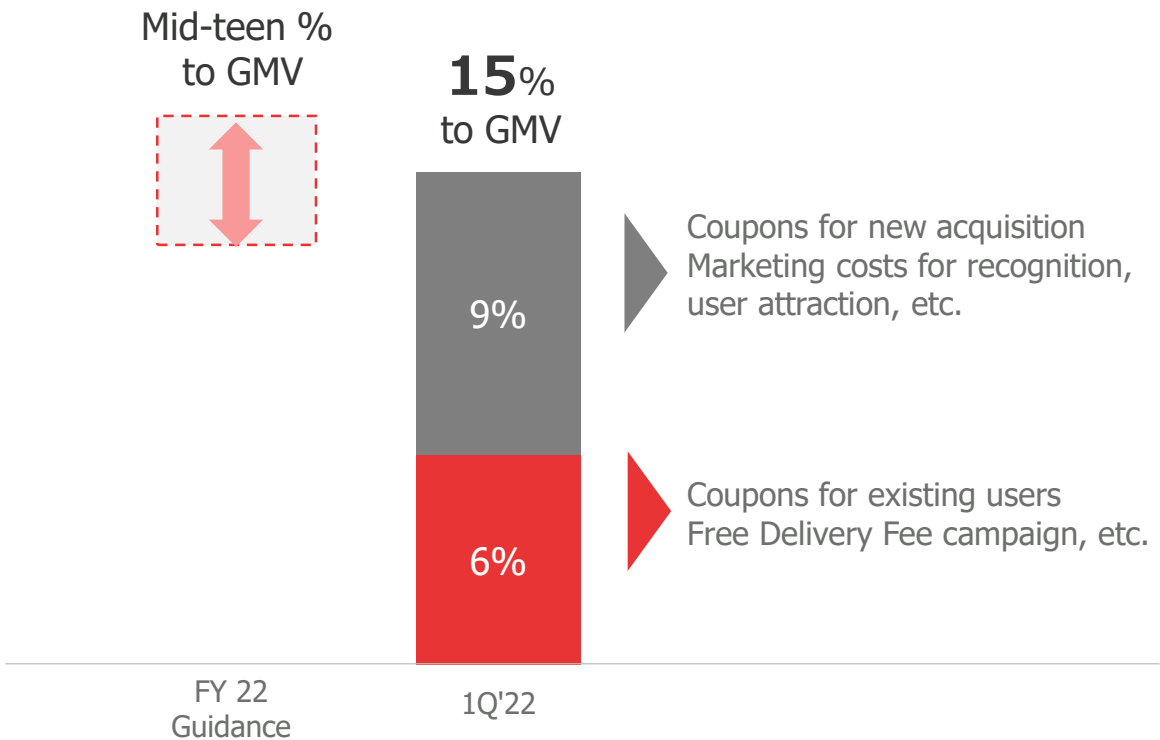
- ✓ 1Q take-rate was 7.1% of GMV, up 0.4 points YoY
- ✓ Marketing expense was 15% of GMV in-line with guidance

## GMV and Take-rate

(B)



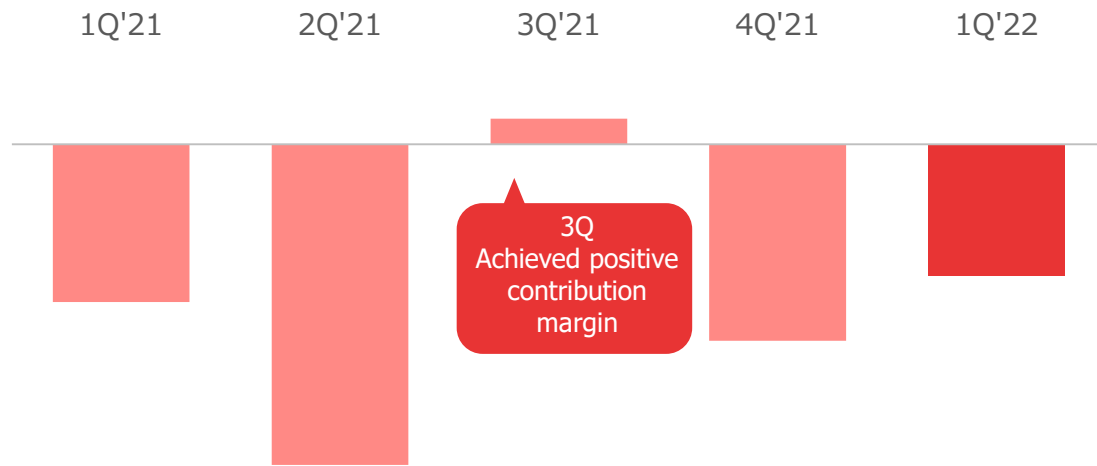
## Breakdown of Marketing Expense



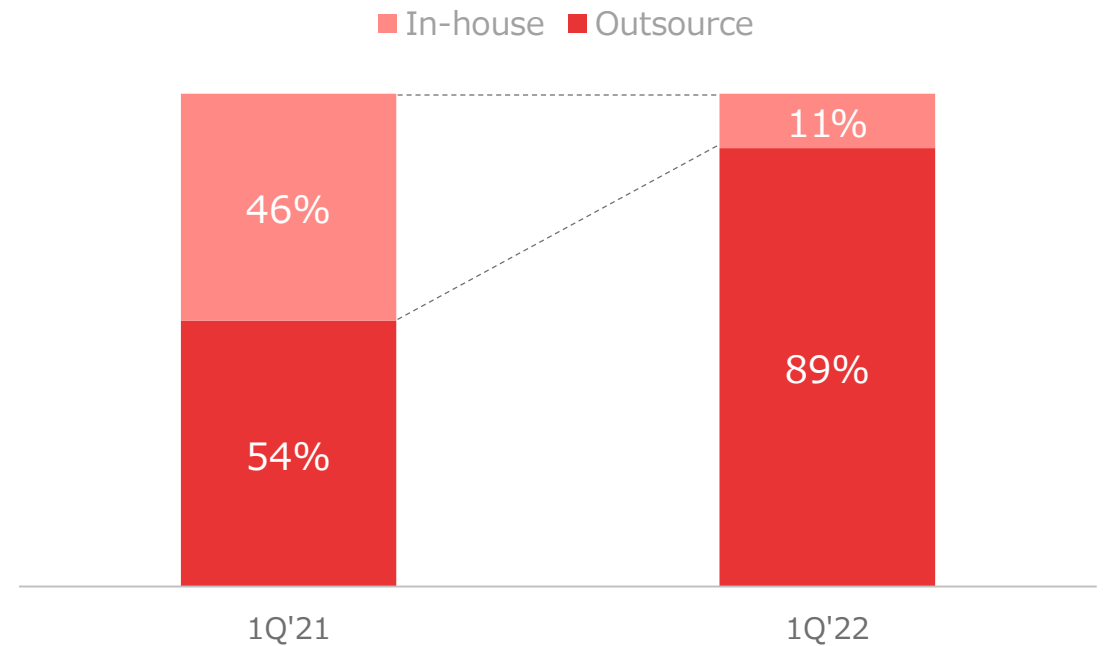
# Delivery : Outsource rider unit economics

- ✓ Increased incentives to secure riders during the campaign
- ✓ Unit economics improved from 4Q

### Contribution profit per delivery by outsource rider



### % of orders delivered by outsource riders



# Appendix

# Summary of Consolidated Income Statement

Accounting Policy Change

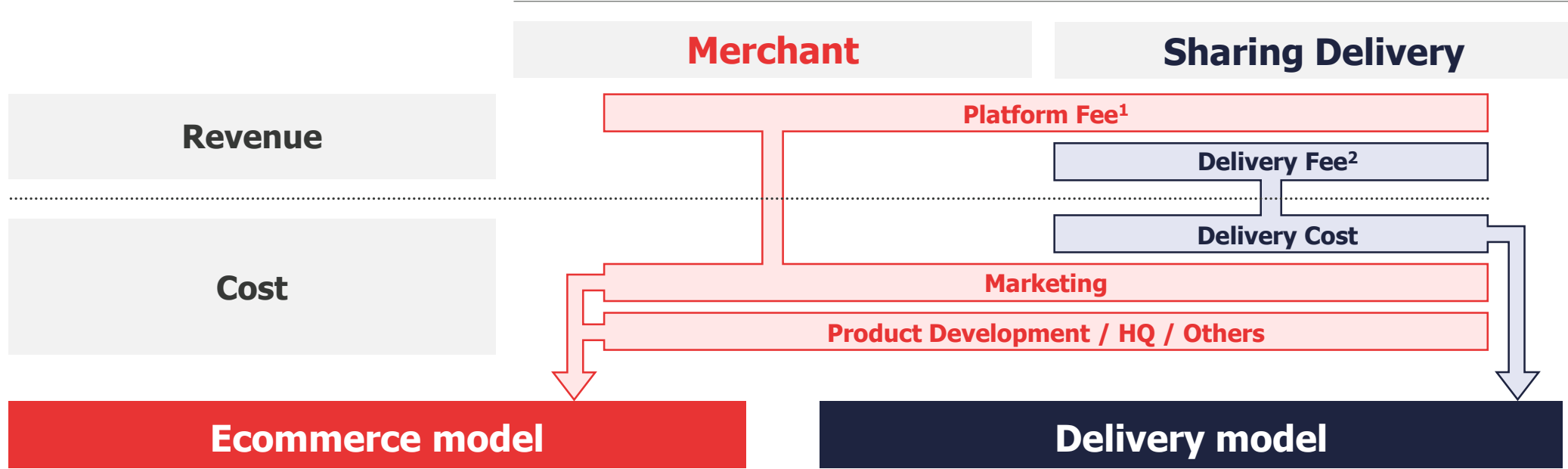
(Million JPY)	FY 8/2020				FY 8/2021				FY 8/2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net Sales (New)									10,342		
<b>Net Sales</b>	<b><u>1,821</u></b>	<b><u>2,006</u></b>	<b><u>2,994</u></b>	<b><u>3,492</u></b>	<b><u>4,186</u></b>	<b><u>6,223</u></b>	<b><u>8,029</u></b>	<b><u>10,515</u></b>	<b>12,192</b>	<b>291.3%</b>	<b>116.0%</b>
Demae-can Service Fee	955	1,079	1,760	1,928	2,007	2,680	2,909	3,368	3,389	168.8%	100.6%
Delivery Commission	217	323	761	1,022	1,632	3,058	4,613	6,666	6,371	390.3%	95.6%
Other	648	603	472	541	545	484	506	480	582	106.6%	121.0%
<b>Cost of Sales</b>	<b><u>644</u></b>	<b><u>639</u></b>	<b><u>791</u></b>	<b><u>1,007</u></b>	<b><u>1,728</u></b>	<b><u>3,606</u></b>	<b><u>4,899</u></b>	<b><u>6,717</u></b>	<b>9,805</b>	<b>567.2%</b>	<b>146.0%</b>
<b>Gross Profit</b>	<b><u>1,177</u></b>	<b><u>1,367</u></b>	<b><u>2,202</u></b>	<b><u>2,485</u></b>	<b><u>2,457</u></b>	<b><u>2,617</u></b>	<b><u>3,129</u></b>	<b><u>3,798</u></b>	<b>536</b>	<b>21.8%</b>	<b>14.1%</b>
Gross Margin	64.6%	68.1%	73.5%	71.2%	58.7%	42.1%	39.0%	36.1%	4.4%	7.5%	12.2%
<b>SG&amp;A</b>	<b><u>1,340</u></b>	<b><u>2,181</u></b>	<b><u>2,826</u></b>	<b><u>3,571</u></b>	<b><u>5,687</u></b>	<b><u>7,931</u></b>	<b><u>8,180</u></b>	<b><u>9,361</u></b>	<b>9,509</b>	<b>167.2%</b>	<b>101.6%</b>
Labor	584	672	1,167	1,448	1,868	2,434	2,606	2,538	2,391	128.0%	94.2%
Marketing	475	1,140	1,042	1,270	2,635	3,641	3,507	5,073	5,135	194.9%	101.2%
Other	280	368	617	852	1,182	1,854	2,067	1,749	1,982	167.6%	113.3%
<b>Operating Profit</b>	<b><u>▲162</u></b>	<b><u>▲814</u></b>	<b><u>▲624</u></b>	<b><u>▲1,086</u></b>	<b><u>▲3,229</u></b>	<b><u>▲5,313</u></b>	<b><u>▲5,050</u></b>	<b><u>▲5,562</u></b>	<b>▲8,972</b>	<b>-</b>	<b>-</b>

Amendment to figures are underlined

\*1 Accounting policy change to net user delivery fee discount to sales

# Demae-can's two business models (Ecommerce and Delivery)

## Delivery by



**Scale**



**Leverage = Profit**

**Growth Engine**



**Unit Economics = Breakeven**

1. Fee paid by merchant per order and advertising cost paid merchants  
 2. Sharing delivery fee paid by merchants and delivery fee from users

# Breakdown of each category

Revenue	
Demae-can Service Fee	<ul style="list-style-type: none"> <li>Demae-can platform fee</li> </ul>
Delivery Commission	<ul style="list-style-type: none"> <li>Sharing delivery fee</li> </ul>
Other	<ul style="list-style-type: none"> <li>Payment service fee</li> <li>Commerce business revenue from subsidiary</li> </ul>

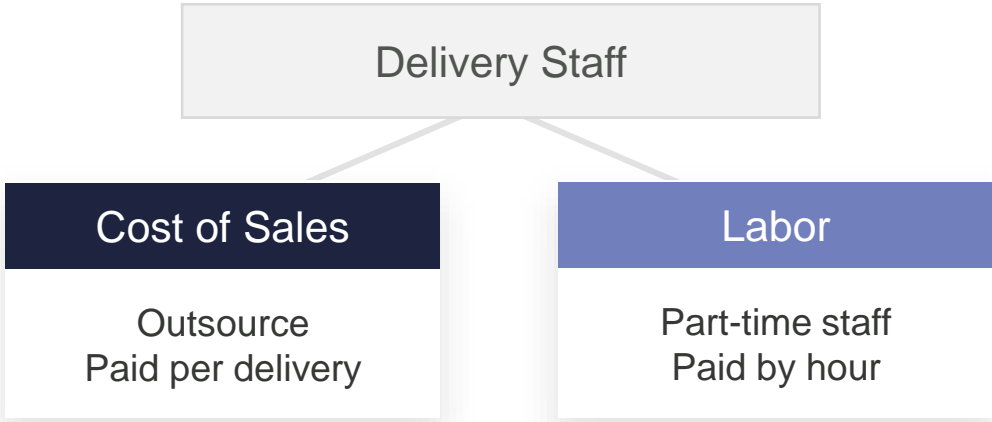
Cost of Sales/SG&A	
Cost of Sales	<ul style="list-style-type: none"> <li>Outsourcing fee (delivery staff)</li> <li>System operating costs, etc.</li> <li>Payment service fee</li> </ul>
Labor	<ul style="list-style-type: none"> <li>Part-time fee (delivery staff)</li> <li>Employee, stock option</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>Advertisement cost</li> <li>Promotion cost</li> </ul>
SG&A	<ul style="list-style-type: none"> <li>Outsourcing fee (merchant acquisition)</li> <li>Lease and supplies</li> <li>Commissions</li> <li>Rent and others</li> </ul>

# Demae-can Business Model

Revenue model<sup>1</sup>

	Fee type	Marketplace (Delivery by merchant)	Sharing Delivery (Delivery by Demae-can)
Merchant	Demae-can Service Fee	<b>10%</b> of merchant sales <sup>2</sup>	
	Delivery Commission	—	<b>25%</b> of merchant sales
	Payment Service (Other)	<b>A few %</b> of order value	
User	Delivery Commission		Delivery fee

Cost model



1. As of September 2021. Base offer terms  
 2. Includes delivery fee paid by user in the case of Marketplace



**Thank you** 

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