

Consolidated Financial Results for the Six Months Ended February 28, 2018

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 Stock exchange JASDAQ Standard of Tokyo Stock Exchange (Code 2484)
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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 Six Months Ended February 28, 2018

(1) Operating results

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

	Six months ended			
	February 28, 2017		February 28, 2018	
		%		%
Net sales (Millions of yen)	2,525	25.8	2,568	1.7
Operating profit (Millions of yen)	372	74.0	341	(8.4)
Ordinary profit (Millions of yen)	368	68.2	353	(4.0)
Profit attributable to owners of parent (Millions of yen)	181	(9.4)	225	24.0
Profit per share (Yen):				
Basic	4.51		5.56	
Diluted	4.34		5.46	

Comprehensive income: Year ended February 28, 2018: 295 million yen, 56.6%
 Year ended February 28, 2017: 188 million yen, (4.7%)

Note: The Company implemented a stock split of 4 shares for each common share as of March 1, 2017. Profit per share and fully diluted profit per share were calculated based on the assumption that this stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Financial position

	As of	
	August 31, 2017	February 28, 2018
Total assets (Millions of yen)	4,439	4,950
Total net assets (Millions of yen)	2,712	2,877
Equity ratio (%)	60.8	57.8

Equity: 2,863 million yen (as of February 28, 2018)
 2,698 million yen (as of August 31, 2017)

2. Dividends

	Year ended August 31, 2017	Year ending August 31, 2018 (Forecast)
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)	3.30	
Annual dividends per share (Yen)	3.30	

Note: Revision to the dividends forecasts most recently announced: None
 The forecast dividends for the fiscal year ending August 31, 2018 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, 2018

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

	Year ending August 31, 2018	
		%
Net sales (Millions of yen)	5,434	9.9
Operating profit (Millions of yen)	819	2.4
Ordinary profit (Millions of yen)	824	3.3
Profit attributable to owners of parent (Millions of yen)	478	10.7
Profit per share (Yen)	11.85	

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, (4) Notes to Consolidated Financial Statements" on page 10 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 stock)

As of February 28, 2018:	44,390,400 shares
As of August 31, 2017:	44,390,400 shares
 2. Number of shares of treasury stock

As of February 28, 2018:	3,893,637 shares
As of August 31, 2017:	3,904,000 shares
 3. Average number of shares outstanding

As of February 28, 2018:	40,493,483 shares
As of February 28, 2017:	40,307,870 shares

Note: The Company implemented a stock split of 4 shares for each common share as of March 1, 2017. Number of shares issued and outstanding (common share) were calculated based on the assumption that this stock split was conducted at the beginning of the previous consolidated fiscal year.

* Status of implementation of quarterly review procedures

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

* Explanation of the appropriate use of financial forecast:

(Attention to the explanation 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 5 for further details.

(Methods for obtaining supplementary materials regarding the financial results)

The Company is scheduled to hold a financial results presentation meeting for analysts and institutional investors on Friday, March 30, 2018. The on-demand presentation materials will be made available on the Company's website as soon as the meeting is held.

1. Qualitative Information Regarding Financial Statements

(1) Explanation of Operating Results

During the six months under review (from September 1, 2017 to February 28, 2018), the Group pursued a number of strategies for its basic policy: the dramatic growth of the *Demae-can* (meal delivery service) business.

As an active investment to significantly increase the number of *Demae-can* fans, the Group promoted three-time orders and operation of the *Demae-nyan Club*, its unique loyalty program, which have been underway since they were launched in the first quarter. In addition, the Group ran spot TV advertisements for *Demae-can* throughout the Kanto and Kansai areas during the period from early December 2017 through early January 2018 in pursuit of further customer recognition toward *Demae-can*. It also launched a marketing campaign linked with the TV ads for customer promotion.

As for the policy for the development of affiliated stores to expand the market, well-known major chain restaurants such as *Ringer Hut* and *Marukame Udon* as well as popular local stores in new office locations were added to our affiliated stores during the second quarter thanks to the successful promotion of the Sharing Delivery® service. As a result, the number of affiliated stores surpassed 16,000 as of January 31, 2018. In addition, the number of offices for the Sharing Delivery® service mainly through ASA, a newspaper delivery service provider, increased steadily to 23 in total at the end of February 2018.

In measures to improve store operation, the Group released the *Demae-can* order management software application in October 2017, and it has promoted the introduction of the system to affiliated stores. With this software application, stores can easily receive orders placed by customers via *Demae-can*, tablet PCs or smartphones, while using it as a management tool with a range of functions such as a route navigator for delivery places. In this way, the introduction of the new software application has been helpful in enabling affiliated stores to reduce their operational burdens.

Consequently, the consolidated results for the six months of the current fiscal year were net sales of 2,568,781 thousand yen (up 1.7% year on year), operating profit of 341,034 thousand yen (down 8.4% year on year), ordinary profit of 353,570 thousand yen (down 4.0% year on year) and profit attributable to owners of parent of 225,187 thousand yen (up 24.0% year on year).

(Thousands of yen)

Category	Six months ended February 28, 2017		Six months ended February 28, 2018		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Basic operation expenses	161,740	6.4	194,587	7.6	32,846	20.3
Order commissions	916,969	36.3	1,241,371	48.3	324,402	35.4
Advertising revenue	23,645	0.9	8,107	0.3	(15,537)	(65.7)
Entrusted system development	29,088	1.2	-	-	(29,088)	(100.0)
Other transactions	279,629	11.1	434,199	16.9	154,569	55.3
Sub-total (applicable to the current first quarter)	1,411,074	55.9	1,878,266	73.1	467,191	33.1
Effects by Delis	332,070	13.1	-	-	(332,070)	(100.0)
Effects resulting from change of scope of consolidation	29,330	1.2	-	-	(29,330)	(100.0)
Sub-total (applicable to the previous first quarter)	1,772,475	70.2	1,878,266	73.1	105,790	6.0
Mail order business	753,245	29.8	690,515	26.9	(62,730)	(8.3)
Total	2,525,720	100.0	2,568,781	100.0	43,060	1.7

Note: Delis Corporation, a subsidiary included in consolidated results for the second quarter of the previous year, is no longer a consolidated subsidiary because its shares were sold in the third quarter of the previous year. In this connection, the amount by Delis reflected in the *Demae-can* business of the second quarter of the previous year are indicated as “Effects by Delis” while at the same time the amount are presented separately as “Effects resulting from change of scope of consolidation” in association with a change in the scope of consolidation.

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 2.55 million (up 20.0% year on year), the number of affiliated stores was 16,081 (up 10.5% year on year) and the number of orders placed was approximately 11.02 million (up 34.4% year on year) at the end of the second quarter of the current fiscal year. As a result, sales in the *Demae-can* business segment included 194,587 thousand yen for basic operation expenses, 1,241,371 thousand yen for order commissions, 8,107 thousand yen for advertising revenue, and 434,199 thousand yen for other transactions and net sales for the segment came to 1,878,266 thousand yen (up 6.0% year on year) for the six months of the current fiscal year.

Net sales for the segment increased 33.1% year on year for the six months of the current fiscal year, excluding the impact on sales resulting from Delis Corporation, whose shares were sold in the third quarter of the previous fiscal year.

(Mail Order Business)

In the Mail Order business segment, net sales came to 690,515 thousand yen (down 8.3% year on year) for the six months of the current fiscal year, reflecting activities to establish a population of customers for growth in the future with a focus on new customer acquisitions.

(2) Qualitative Information on Consolidated Financial Conditions

1) Analysis of Assets, Liabilities and Net Assets

Current assets at the end of the second quarter under review amounted to 3,960,221 thousand yen, an increase of 440,349 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 368,695 thousand yen in accounts receivable-other and 103,329 thousand yen in notes and accounts receivable-trade, which offset a decrease of 81,241 thousand yen in cash and deposits.

Non-current assets at the end of the second quarter under review amounted to 990,445 thousand yen, an increase of 71,258 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 109,581 thousand yen in investment securities, 39,741 thousand yen in software and 13,235 thousand yen in software in progress, which offset a decrease of 51,516 thousand yen in goodwill.

As a result, total assets at the end of the second quarter under review amounted to 4,950,667 thousand yen, an increase of 511,607 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the second quarter under review amounted to 2,048,219 thousand yen, an increase of 350,202 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 459,124 thousand yen in accounts payable-other and 6,325 thousand yen in provision for bonuses, which offset a decrease of 50,418 thousand yen in the current portion of long-term loans payable and 19,008 thousand yen in notes and accounts payable-trade.

Non-current liabilities at the end of the second quarter under review amounted to 24,926 thousand yen, a decrease of 3,346 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 2,004 thousand yen in long-term loans payable.

Net assets at the end of the second quarter under review amounted to 2,877,521 thousand yen, an increase of 164,751 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 225,187 thousand yen in profit attributable to owners of parent,

1,318 thousand yen in capital surplus and 1,250 thousand yen in disposal of treasury shares, which offset a decrease of 133,605 thousand yen in dividends of surplus and 69 thousand yen in the purchase of treasury shares.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter, the “Funds”) were 2,181,563 thousand yen at the end of the second quarter under review, representing a decrease of 81,241 thousand yen compared with the end of the prior fiscal year. Cash flows and contributing factors for the six months will be discussed in detail below.

(Cash flow from operating activities)

Cash flow from operating activities increased by 233,413 thousand yen (as compared with the increase of 362,763 thousand yen for the same period of last year), reflecting 339,008 thousand yen in profit before income taxes, 80,245 thousand yen in depreciation and 51,416 thousand yen in amortization of goodwill, which offset a 129,875 thousand yen decrease in income taxes paid.

(Cash flow from investing activities)

The use of 128,654 thousand yen for investing activities (as compared with the use of 140,123 thousand yen for the same period of last year) was primarily 111,152 thousand yen for the purchase of intangible assets.

(Cash flow from financing activities)

The use of 185,860 thousand yen for financing activities (as compared with the use of 169,005 thousand yen for the same period of last year) was primarily for the repayments of long-term loans payable of 52,422 thousand yen, the purchase of treasury shares of 69 thousand yen, proceeds from disposal of treasury shares of 1,747 thousand yen, and cash dividends paid of 133,719 thousand yen.

(3) Future Forecast

The consolidated financial forecast execution rate for the second quarter of the fiscal year ending August 31, 2018 as against the six months and the full-year forecasts for the fiscal year ending August 31, 2018 released in the “Consolidated financial results for the year ended August 31, 2017” announced on October 12, 2017 remained excellent, as explained below.

The consolidated financial forecast remains under close examination for revision.

There are no changes in the consolidated financial forecast for the fiscal year ending August 31, 2018 from the forecasts released in the “Consolidated financial results for the year ended August 31, 2017” announced on October 12, 2017.

Consolidated forecast execution rate	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Interim term	100.6%	102.1%	105.1%	113.1%
Full term	47.3%	41.6%	42.8%	47.1%

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	2,262,804	2,181,563
Notes and accounts receivable—trade	407,735	511,064
Merchandise and finished goods	58,097	71,267
Accounts receivable-other	736,208	1,104,904
Deferred tax assets	22,637	22,637
Other	36,114	73,714
Allowance for doubtful accounts	(3,725)	(4,929)
Total current assets	<u>3,519,872</u>	<u>3,960,221</u>
Non-current assets		
Property, plant, and equipment	78,811	72,155
Intangible assets		
Software	446,235	485,977
Software in progress	5,818	19,053
Goodwill	68,655	17,138
Other	138	138
Total intangible assets	<u>520,848</u>	<u>522,308</u>
Investments and other assets		
Investment securities	196,285	305,867
Guarantee deposits	62,592	56,213
Deferred tax assets	37,888	6,047
Other	23,271	28,287
Allowance for doubtful accounts	(510)	(434)
Total investments and other assets	<u>319,527</u>	<u>395,981</u>
Total non-current assets	<u>919,186</u>	<u>990,445</u>
Total assets	<u>4,439,059</u>	<u>4,950,667</u>

(Thousands of yen)

	As of August 31, 2017	As of February 28, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	111,812	92,803
Current portion of long-term loans payable	75,455	25,037
Accounts payable - other	1,206,615	1,665,740
Income taxes payable	151,950	126,315
Provision for bonuses	25,674	31,999
Other	126,509	106,322
Total current liabilities	1,698,016	2,048,219
Non-current liabilities		
Long-term loans payable	7,642	5,638
Other	20,630	19,288
Total non-current liabilities	28,272	24,926
Total liabilities	1,726,289	2,073,145
Net assets		
Shareholders' equity		
Capital stock	1,113,300	1,113,300
Capital surplus	634,703	636,022
Retained earnings	1,388,457	1,480,040
Treasury shares	(469,316)	(468,135)
Total shareholders' equity	2,667,146	2,761,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,293	98,504
Foreign currency translation adjustment	3,976	3,593
Total accumulated other comprehensive income	31,270	102,098
Subscription rights to shares	8,280	7,459
Non-controlling interests	6,073	6,735
Total net assets	2,712,770	2,877,521
Total liabilities and net assets	4,439,059	4,950,667

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Six months ended February 28, 2017	Six months ended February 28, 2018
Net sales	2,525,720	2,568,781
Cost of sales	882,021	924,050
Gross profit	1,643,698	1,644,730
Selling, general and administrative expenses	1,271,309	1,303,696
Operating profit	372,389	341,034
Non-operating income		
Interest income	592	34
Dividend income	1,221	1,465
Share of profit of entities accounted for using equity method	4,841	10,405
Foreign exchange gains	-	66
Subsidy income	2,200	-
Other	2,612	1,649
Total non-operating income	11,468	13,620
Non-operating expenses		
Interest expenses	12,135	420
Miscellaneous loss	3,509	664
Total non-operating expenses	15,644	1,084
Ordinary profit	368,212	353,570
Extraordinary losses		
Loss on sales of non-current assets	520	-
Loss on retirement of non-current assets	23,434	792
Impairment loss	35,951	13,768
Loss on valuation of investment securities	3,510	-
Total extraordinary losses	63,416	14,561
Profit before income taxes	304,796	339,008
Income taxes	124,310	114,623
Profit	180,486	224,385
Profit (loss) attributable to non-controlling interests	(1,134)	(801)
Profit attributable to owners of parent	181,620	225,187

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Six months ended February 28, 2017	Six months ended February 28, 2018
Profit	180,486	224,385
Other comprehensive income		
Valuation difference on available-for-sale securities	9,154	71,211
Foreign currency translation adjustment	(901)	(74)
Total other comprehensive income	8,253	71,136
Comprehensive income	188,739	295,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	190,130	296,016
Comprehensive income attributable to non-controlling interests	(1,390)	(493)

(3) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Six months ended February 28, 2017	Six months ended February 28, 2018
Cash flows from operating activities		
Profit before income taxes	304,796	339,008
Depreciation	101,713	80,245
Impairment loss	35,951	13,768
Amortization of goodwill	73,852	51,416
Share-based compensation expenses	3,265	-
Loss on retirement of non-current assets	23,434	792
Loss (gain) on valuation of investment securities	3,510	-
Increase (decrease) in allowance for doubtful accounts	976	1,127
Increase (decrease) in provision for bonuses	21,665	6,325
Interest and dividend income	(3,805)	(1,499)
Interest expenses	12,135	420
Share of (profit) loss of entities accounted for using equity method	(4,841)	(10,405)
Decrease (increase) in notes and accounts receivable - trade	(36,783)	(103,253)
Decrease (increase) in inventories	11,565	(13,565)
Increase (decrease) in notes and accounts payable - trade	(22,796)	(19,008)
Other	(7,957)	14,475
Subtotal	<u>516,681</u>	<u>359,849</u>
Interest and dividend income received	3,805	3,910
Interest expenses paid	(12,169)	(470)
Income taxes paid	(145,553)	(129,875)
Net cash provided by (used in) operating activities	<u>362,763</u>	<u>233,413</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(751)	(9,634)
Purchase of intangible assets	(133,691)	(111,152)
Purchase of long-term prepaid expenses	(598)	(642)
Payments of loans receivable	(430)	-
Other	(4,650)	(7,226)
Net cash provided by (used in) investing activities	<u>(140,123)</u>	<u>(128,654)</u>
Cash flows from financing activities		
Repayments of long-term loans payable	(52,422)	(52,422)
Purchase of treasury shares	(28,941)	(69)
Proceeds from disposal of treasury shares	14,163	1,747
Cash dividends paid	(101,002)	(133,719)
Other	(803)	(1,397)
Net cash provided by (used in) financing activities	<u>(169,005)</u>	<u>(185,860)</u>
Effect of exchange rate change on cash and cash equivalents	(1,446)	(139)
Net increase (decrease) in cash and cash equivalents	<u>52,188</u>	<u>(81,241)</u>
Cash and cash equivalents at beginning of period	<u>1,719,798</u>	<u>2,262,804</u>
Cash and cash equivalents at end of period	<u><u>1,771,986</u></u>	<u><u>2,181,563</u></u>

(4) 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.

(Segment information)

1) Six months ended February 28, 2017 (from September 1, 2016 to February 28, 2017)

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	1,772,475	753,245	2,525,720	-	2,525,720
Intersegment sales or transfers	-	74,891	74,891	(74,891)	-
Net sales	1,772,475	828,136	2,600,611	(74,891)	2,525,720
Segment profit	402,724	145,230	547,955	(175,565)	372,389
Other items					
Depreciation	98,011	3,702	101,713	-	101,713
Amortization of goodwill	22,435	51,416	73,852	-	73,852

Note: 1. The adjustment of (175,565 thousand yen) in the segment profit includes depreciation expenses of (101,713 thousand yen) and amortization of goodwill of (73,852 thousand yen) 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.

Information concerning goodwill or an impairment loss related to non-current assets by reportable segments

(Significant impairment loss related to non-current assets)

As a general rule, the Group controls idle assets individually in each asset category in accordance with the purpose of use for each business segment.

Impairment loss (35,951 thousand yen for software) was posted as part of the extraordinary losses for the six months under review in relation to the reduction in book value to a recoverable level for some of the software used in the *Demae-can* business segment because it was deemed unlikely that the software would benefit the business as initially expected.

The recoverable value of this asset group is based on the value of use for the assets.

2) Six months ended February 28, 2018 (from September 1, 2017 to February 28, 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	1,878,266	690,515	2,568,781	-	2,568,781
Intersegment sales or transfers	-	96,504	96,504	(96,504)	-
Net sales	1,878,266	787,019	2,665,285	(96,504)	2,568,781
Segment profit	365,227	107,469	472,696	(131,662)	341,034
Other items					
Depreciation	74,100	6,145	80,245	-	80,245
Amortization of goodwill	-	51,416	51,416	-	51,416

Note: 1. The adjustment of (131,662 thousand yen) in the segment profit includes depreciation expenses of (80,245 thousand yen) and amortization of goodwill of (51,416 thousand yen) 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.

Information concerning goodwill or an impairment loss related to non-current assets by reportable segments

(Significant impairment loss related to non-current assets)

As a general rule, the Group controls idle assets individually in each asset category in accordance with the purpose of use for each business segment.

During the six months under review, impairment loss (13,768 thousand yen) was posted in *Demae-can* business segment in relation to the reduction in book value to a recoverable level for idle assets etc. with the decision of Tokyo headquarter office relocation.

The recoverable value of this asset group is based on the value of use for the assets.