

Consolidated Financial Results for the Nine Months Ended May 31, 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 Nine Months Ended May 31, 2018

(1) Operating results

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

	Nine months ended			
	May 31, 2017		May 31, 2018	
		%		%
Net sales (Millions of yen)	3,810	25.1	4,004	5.1
Operating profit (Millions of yen)	631	50.0	560	(11.2)
Ordinary profit (Millions of yen)	626	46.6	581	(7.1)
Profit attributable to owners of parent (Millions of yen)	376	10.5	388	3.1
Profit per share (Yen):				
Basic	9.34		9.60	
Diluted	8.99		9.42	

Comprehensive income: Year ended May 31, 2018: 462 million yen, 20.1%
 Year ended May 31, 2017: 385 million yen, 13.1%

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	May 31, 2018
Total assets (Millions of yen)	4,439	4,904
Total net assets (Millions of yen)	2,712	3,045
Equity ratio (%)	60.8	61.8

Equity: 3,032 million yen (as of May 31, 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, (3) 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 shares)

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

As of May 31, 2018:	3,888,837 shares
As of August 31, 2017:	3,904,000 shares
 3. Average number of shares outstanding

As of May 31, 2018:	40,495,222 shares
As of May 31, 2017:	40,345,552 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.

1. Qualitative Information Regarding Financial Statements

(1) Explanation of Operating Results

During the nine months under review (from September 1, 2017 to May 31, 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 the operation of the *Demae-nyan Club*, its unique loyalty program, which have been underway since they were launched in the first quarter. In addition, system improvements to prevent the recurrence of the system failure that occurred in February made it possible to cope with a continuous increase in the number of orders. Subsequently, in the Mother's Day Campaign that took place in May, a record high number of 130,688 orders in one day was achieved.

As for the policy for the development of affiliated stores to expand the market, the *sharing delivery®* service was also launched in Nagoya-shi, Aichi for the first time in the Tokai area, which expanded to 33 locations in total as of the end of May 2018. In the third quarter, popular stores in each area, in addition to major chain stores such as LOTTERIA and Denny's, steadily joined as our affiliated stores. In addition, in March 2018, a directly managed base with an incubation kitchen function was established at Nihonbashi to strengthen the initiatives for the improvement of the services. In April 2018, a business alliance agreement on mutual uses of delivery facilities was signed with three companies including Asrapport Dining Company, Limited. Looking ahead, it is planned to accelerate the expansion of *Sharing Delivery®* through the network of ASA, a newspaper delivery service provider, and its network of stores.

In terms of measures for improving store operation, the Group released the *Demae-can* order management software application in October 2017, and it has promoted the introduction of the system in affiliated stores.

Consequently, the consolidated results for the six months of the current fiscal year were net sales of 4,004,853 thousand yen (up 5.1% year on year), operating profit of 560,438 thousand yen (down 11.2% year on year), ordinary profit of 581,859 thousand yen (down 7.1% year on year) and profit attributable to owners of parent of 388,748 thousand yen (up 3.1% year on year).

(Thousands of yen)

Category	Nine months ended May 31, 2017		Nine months ended May 31, 2018		YoY	
	Amount	Sales ratio (%)	Amount	Sales ratio (%)	Amount	Change (%)
<i>Demae-can</i> business						
Basic operation expenses	249,570	6.5	300,728	7.5	51,157	20.5
Order commissions	1,414,499	37.1	1,918,459	47.9	503,959	35.6
Advertising revenue	27,626	0.7	11,356	0.3	(16,269)	(58.9)
Entrusted system development	29,088	0.8	53,439	1.3	24,350	83.7
Other transactions	436,516	11.5	693,981	17.4	257,464	59.0
Sub-total (applicable to the current first quarter)	2,157,303	56.6	2,977,964	74.4	820,661	38.0
Effects by Delis	509,521	13.4	-	-	(509,521)	(100.0)
Effects resulting from change of scope of consolidation	35,594	0.9	-	-	(35,594)	(100.0)
Sub-total (applicable to the previous first quarter)	2,702,418	70.9	2,977,964	74.4	275,545	10.2
Mail order business	1,108,227	29.1	1,026,889	25.6	(81,338)	(7.3)
Total	3,810,646	100.0	4,004,853	100.0	194,207	5.1

Note: Delis Corporation, a subsidiary included in consolidated results for the third 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 third 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 2.62 million (up 17.0% year on year), the number of affiliated stores was 16,439 (up 9.9% year on year) and the number of orders placed was approximately 16.99 million (up 35.1% year on year) at the end of the third quarter of the current fiscal year. As a result, net sales in the *Demae-can* business segment came to 2,977,964 thousand yen (up 10.2% year on year) for the nine months of the current fiscal year, included 300,728 thousand yen for basic operation expenses, 1,918,459 thousand yen for order commissions, 11,356 thousand yen for advertising revenue, and 693,981 thousand yen for other transactions.

Net sales for the segment increased 38.0% year on year for the nine 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 1,026,889 thousand yen (down 7.3% year on year) for the nine months of the current fiscal year despite a gradual increase in repeat orders placed by new customers attracted through efforts to create a population for future growth focused on the acquisition of new customers.

(2) Qualitative Information on Consolidated Financial Conditions

1) Analysis of Assets, Liabilities and Net Assets

Current assets at the end of the third quarter under review amounted to 3,796,967 thousand yen, an increase of 277,094 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 300,200 thousand yen in accounts receivable-other and 32,480 thousand yen in cash and deposits, which offset a decrease of 79,660 thousand yen in notes and accounts receivable-trade.

Non-current assets at the end of the third quarter under review amounted to 1,107,312 thousand yen, an increase of 188,125 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 90,622 thousand yen in guarantee deposits, 75,022 thousand yen in investment securities, 65,513 thousand yen in software and 23,070 thousand yen in software in progress, which offset a decrease of 68,655 thousand yen in goodwill.

As a result, total assets at the end of the third quarter under review amounted to 4,904,279 thousand yen, an increase of 465,220 thousand yen from the end of the previous fiscal year.

Current liabilities at the end of the third quarter under review amounted to 1,834,978 thousand yen, an increase of 136,961 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 307,454 thousand yen in accounts payable-other, which offset a decrease of 90,031 thousand yen in income taxes payable, 71,447 thousand yen in the current portion of long-term loans payable and 14,643 thousand yen in notes and accounts payable-trade.

Non-current liabilities at the end of the third quarter under review amounted to 23,503 thousand yen, a decrease of 4,768 thousand yen from the end of the previous fiscal year. Key factors contributing to this decrease included a decrease of 3,006 thousand yen in long-term loans payable.

Net assets at the end of the third quarter under review amounted to 3,045,797 thousand yen, an increase of 333,027 thousand yen from the end of the previous fiscal year. Key factors contributing to this increase included an increase of 388,748 thousand yen in profit attributable to owners of parent, 104,249 thousand yen in valuation difference on available-for-sale securities, 1,927 thousand yen in capital surplus and 1,758 thousand yen in disposal of treasury shares, which offset a decrease of 133,605 thousand yen in dividends of surplus.

(3) Future Forecast

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.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statement

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of August 31, 2017	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	2,262,804	2,295,284
Notes and accounts receivable—trade	407,735	328,074
Merchandise and finished goods	58,097	60,121
Accounts receivable-other	736,208	1,036,409
Deferred tax assets	22,637	22,637
Other	36,114	58,392
Allowance for doubtful accounts	(3,725)	(3,952)
Total current assets	3,519,872	3,796,967
Non-current assets		
Property, plant, and equipment	78,811	110,561
Intangible assets		
Software	446,235	511,748
Software in progress	5,818	28,888
Goodwill	68,655	-
Other	138	138
Total intangible assets	520,848	540,775
Investments and other assets		
Investment securities	196,285	271,308
Guarantee deposits	62,592	153,214
Deferred tax assets	37,888	3,489
Other	23,271	28,467
Allowance for doubtful accounts	(510)	(504)
Total investments and other assets	319,527	455,975
Total non-current assets	919,186	1,107,312
Total assets	4,439,059	4,904,279

(Thousands of yen)

	As of August 31, 2017	As of May 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	111,812	97,168
Current portion of long-term loans payable	75,455	4,008
Accounts payable - other	1,206,615	1,514,070
Income taxes payable	151,950	61,918
Provision for bonuses	25,674	15,750
Other	126,509	142,062
Total current liabilities	1,698,016	1,834,978
Non-current liabilities		
Long-term loans payable	7,642	4,636
Other	20,630	18,867
Total non-current liabilities	28,272	23,503
Total liabilities	1,726,289	1,858,481
Net assets		
Shareholders' equity		
Capital stock	1,113,300	1,113,300
Capital surplus	634,703	636,630
Retained earnings	1,388,457	1,643,601
Treasury shares	(469,316)	(467,558)
Total shareholders' equity	2,667,146	2,925,975
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	27,293	104,249
Foreign currency translation adjustment	3,976	2,105
Total valuation and translation adjustments	31,270	106,355
Subscription rights to shares	8,280	7,079
Non-controlling interests	6,073	6,387
Total net assets	2,712,770	3,045,797
Total liabilities and net assets	4,439,059	4,904,279

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	(Thousands of yen)	
	Nine months ended May 31, 2017	Nine months ended May 31, 2018
Net sales	3,810,646	4,004,853
Cost of sales	1,316,319	1,478,441
Gross profit	2,494,326	2,526,411
Selling, general and administrative expenses	1,863,085	1,965,973
Operating profit	631,241	560,438
Non-operating income		
Interest income	765	38
Dividend income	1,221	1,465
Share of profit of entities accounted for using equity method	8,620	19,081
Subsidy income	2,500	-
Other	3,763	2,141
Total non-operating income	16,870	22,727
Non-operating expenses		
Interest expenses	18,489	506
Other	3,617	799
Total non-operating expenses	22,106	1,305
Ordinary profit	626,005	581,859
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	5,854	-
Gain on sales of non-current assets	-	4,416
Gain on sales of investment securities	-	0
Total extraordinary income	5,854	4,417
Extraordinary losses		
Loss on sales of non-current assets	520	-
Loss on retirement of non-current assets	23,579	782
Impairment loss	35,951	11,824
Loss on valuation of investment securities	3,510	-
Total extraordinary losses	63,561	12,606
Profit before income taxes	568,297	573,670
Income taxes	193,145	185,477
Profit	375,152	388,192
Profit (loss) attributable to non-controlling interests	(1,751)	(556)
Profit attributable to owners of parent	376,903	388,748

Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Nine months ended May 31, 2017	Nine months ended May 31, 2018
Profit	375,152	388,192
Other comprehensive income		
Valuation difference on available-for-sale securities	11,019	76,956
Foreign currency translation adjustment	(552)	(2,156)
Total other comprehensive income	10,466	74,799
Comprehensive income	385,619	462,992
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	386,638	463,833
Comprehensive income attributable to non-controlling interests	(1,019)	(841)

(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 third 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) Nine months ended May 31, 2017 (from September 1, 2016 to May 31, 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	2,702,418	1,108,227	3,810,646	-	3,810,646
Intersegment sales or transfers	-	113,086	113,086	(113,086)	-
Net sales	2,702,418	1,221,313	3,923,732	(113,086)	3,810,646
Segment profit	673,790	205,194	878,985	(247,743)	631,241
Other items					
Depreciation	134,459	6,228	140,687	-	140,687
Amortization of goodwill	29,930	77,125	107,055	-	107,055

Note: 1. The adjustment of (247,743 thousand yen) in the segment profit includes depreciation expenses of (140,687 thousand yen) and amortization of goodwill of (107,055 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.

2) 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 nine 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.

(Significant changes in the amount of goodwill)

In the *Demae-can* business, all the shares of Delis Corporation were transferred and excluded from the scope of consolidation, resulting in a decrease in the amount of goodwill by 405,760 thousand yen.

3) Nine months ended May 31, 2018 (from September 1, 2017 to May 31, 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	2,977,964	1,026,889	4,004,853	-	4,004,853
Intersegment sales or transfers	-	147,026	147,026	(147,026)	-
Net sales	2,977,964	1,173,915	4,151,879	(147,026)	4,004,853
Segment profit	591,394	163,577	754,972	(194,533)	560,438
Other items					
Depreciation	116,004	9,973	125,978	-	125,978
Amortization of goodwill	-	68,555	68,555	-	68,555

Note: 1. The adjustment of (194,533 thousand yen) in the segment profit includes depreciation expenses of (125,978 thousand yen) and amortization of goodwill of (68,555 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.

4) 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 nine months under review, impairment loss (11,824 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.