

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 16, 2022

Company name: KEY COFFEE INC
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2594
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 Scheduled date of general shareholders' meeting: June 21, 2022
 Scheduled date of commencing dividend payments: June 22, 2022
 Scheduled date of filing securities report: June 22, 2022
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for analysts and trade papers)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	55,680	5.9	405	—	1,022	—	742	—
March 31, 2021	52,602	(16.1)	(2,470)	—	(3,159)	—	(4,084)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥822 million [—%]

Fiscal year ended March 31, 2021: ¥(3,673) million [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	34.69	—	2.5	2.3	0.7
March 31, 2021	(190.80)	—	(12.9)	(6.9)	(4.7)

(Reference) Equity in earnings of affiliated companies:

Fiscal year ended March 31, 2022: ¥108 million

Fiscal year ended March 31, 2021: ¥(835) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	43,429	30,481	69.5	1,410.70
As of March 31, 2021	43,794	29,926	67.8	1,386.27

(Reference) Equity: As of March 31, 2022: ¥30,204 million

As of March 31, 2021: ¥29,673 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	861	(727)	(466)	5,443
March 31, 2021	(1,193)	(396)	(908)	5,756

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	–	0.00	–	5.00	5.00	108	–	0.3
Fiscal year ended March 31, 2022	–	5.00	–	5.00	10.00	216	28.8	0.7
Fiscal year ending March 31, 2023 (Forecast)	–	5.00	–	5.00	10.00		42.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	64,000	14.9	550	35.7	700	(31.5)	500	(32.7)	23.35

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (Company name: –)
Excluded: – (Company name: –)
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the year (including treasury shares):

March 31, 2022:	22,689,000 shares
March 31, 2021:	22,689,000 shares
 - 2) Total number of treasury shares at the end of the year:

March 31, 2022:	1,277,756 shares
March 31, 2021:	1,283,956 shares
 - 3) Average number of shares during the year:

Year ended March 31, 2022:	21,410,294 shares
Year ended March 31, 2021:	21,405,056 shares

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (268,500 shares on March 31, 2022, 274,700 shares on March 31, 2021) held by Custody Bank of Japan, Ltd. (Trust Account E). In calculation of the average number of shares during the period, the number of treasury shares deducted includes the shares of the Company (269,450 shares on March 31, 2022, 274,700 shares on March 31, 2021) held by Custody Bank of Japan, Ltd. (Trust Account E).

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)****(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	49,063	6.1	529	–	343	–	202	–
March 31, 2021	46,235	(15.5)	(1,494)	–	(2,441)	–	(3,307)	–

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	9.44	–
March 31, 2021	(154.50)	–

Notes to Non-Consolidated Operating Results

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	40,529	28,711	70.8	1,340.96
As of March 31, 2021	40,858	28,796	70.5	1,345.33

(Reference) Equity: As of March 31, 2022: ¥28,711 million

As of March 31, 2021: ¥28,796 million

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.*** Explanation of the proper use of financial results forecast and other notes**

- Forward-looking statements and other statements about the future that are included in this material are based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results and others may differ significantly due to various factors. For the assumptions for financial results forecast and precautions for using financial results forecasts, please refer to “(4) Future Outlook” under “1. Overview of Operating Results, etc.” on page 7 of the attached document.
- The Company will hold online the annual financial results briefing session for the fiscal year ended March 31, 2022 to prevent the spread of COVID-19.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the current consolidated fiscal year (April 1, 2021 to March 31, 2022), while the impact of the spread of COVID-19 infection was prolonged, the number of newly infected persons began to decrease due to the widespread use of vaccinations and the effects of various policies, and the economy was on a gradual recovery trend. However, the outlook remains uncertain due to the rapid spread of infection and stagnation of economic activities due to the outbreak of a new mutated virus from the beginning of 2022, as well as price hikes due to soaring resource and raw material prices and the international unrest surrounding Russia's invasion of Ukraine.

In the coffee industry, consumption in the Household market remained firm due to continued stay-at-home demand resulting from lifestyle changes. Meanwhile, consumption in the HORECA market was on a recovery trend due to the easing of action restrictions last October, but remained sluggish since the beginning of the year due to a growing trend toward self-restraint caused by the rapid spread of COVID-19 infection.

Green coffee bean market prices, which heavily influence KEY COFFEE's financial results, soared due to the prolonged lack of rainfall in Brazilian production areas and concerns about a decrease in production in the current fiscal year due to a large-scale frost that occurred in late July. The price continued to rise thereafter due to the stagnation of the marine transportation network caused by container shortages and a decrease in certified inventories in the coffee futures market, and remained at a high level throughout the fiscal year, roughly 170% of that in the previous fiscal year.

Under these circumstances, the KEY COFFEE Group strived to reduce costs by streamlining and improving the efficiency of our operations, engaged in the creation of new demand, developed attractive products which meet the needs of consumers, and promoted solution-oriented business activities which contribute to the financial results of clients.

In addition, we revised the prices of roasted coffee bean products delivered to clients and the manufacturer's shipping prices, based on the prospect that the rise in the cost of procuring green coffee beans will reach a level beyond the limit of what we can absorb through our internal efforts.

Regarding our financial results, in the mainstay HORECA market of the coffee-related business, sales recovered, albeit not to the level of two years before, from the significant decline in sales due to the severe environment in the previous year, and the business restructuring implemented at the end of the previous fiscal year also contributed to an increase in profits compared to the previous fiscal year.

Consequently, net sales for the KEY COFFEE Group in the consolidated fiscal year under review were 55,680 million yen (a 5.9% increase compared with the previous consolidated fiscal year), operating profit was 405 million yen (compared with operating loss of 2,470 million yen in the previous consolidated fiscal year), and ordinary income was 1,022 million yen (compared with ordinary loss of 3,159 million yen in the previous consolidated fiscal year). Profit attributable to owners of parent was 742 million yen (compared with loss attributable to owners of parent of 4,084 million yen in the previous consolidated fiscal year).

<Consolidated Operating Results>

(Unit: Millions of yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review	Increase (decrease) over the previous year	Percent increase (decrease) over the previous year
Net sales	52,602	55,680	3,078	5.9%
Operating profit (loss)	(2,470)	405	2,875	—
Ordinary profit (loss)	(3,159)	1,022	4,181	—
Profit (loss) attributable to owners of parent	(4,084)	742	4,827	—

An overview of segment operations is provided below.

(Unit: Millions of yen)

Business segment	Net sales			Operating profit (loss)		
	Consolidated fiscal year under review	Increase (decrease) over the previous year	Percent increase (decrease) over the previous year	Consolidated fiscal year under review	Increase (decrease) over the previous year	Percent increase (decrease) over the previous year
Coffee-related businesses	48,474	2,699	5.9	1,024	1,858	–
Restaurant-related businesses	3,522	159	4.7	(326)	537	–
Other	3,683	219	6.3	188	157	510.3%
Adjustment	–	–	–	(480)	322	–
Total	55,680	3,078	5.9	405	2,875	–

(Note) Adjustment amounts are mainly the elimination of internal transactions between segments, adjustment amounts for inventories, and general and administrative expenses that do not belong to the reportable segments.

(Coffee-related businesses)

In the HORECA market, in order to secure operating profit, we have started business activities under the reallocation of sales offices and streamlined personnel structure, while maintaining our nationwide sales network and building a rational and efficient organizational structure.

In sales activities, under the prolonged effects of action restrictions such as refraining from going outside and requests to clients to close their restaurants or shorten business hours, we promoted activities to expand sales of highly differentiated coffees such as “Clé d’Or” series, a gourmet coffee brand made from carefully selected green coffee beans, TOARCO TORAJA, HYO-ON Aging Liquid Coffee, and certified coffees. As a measure to revitalize our clients, we promoted the introduction of “COLD CREMA,” a new type of iced coffee, introduced recipes for cream soda, Neapolitan, and other nostalgic menu items under the theme of Showa-era retro “coffee shops,” and planned and held a “Retro-Style Curry Fair” as a seasonal sales promotion. In anticipation of a recovery in the market, we launched new products such as “PROSINE” Penne ALLA Bolognese with 5 kinds of vegetables and “SUCREANGE” 3-layer chocolate dome cake to expand sales.

To offer guidance as an aid in opening a cafe, the Company opened five new “KEY’S CAFÉs,” our model cafes that can be opened in various location environments, but closed the same number of cafes, bringing the number of introduced cafes to 73, the same as the previous fiscal year.

In addition, we revised the delivery prices of roasted coffee bean products to our clients in order to secure appropriate profits in light of the expected rise in the cost of procuring green coffee beans, and we also promoted negotiations to revise delivery prices in response to the rising purchase prices of food ingredients and consumables for commercial use that we handle.

As a result of the above, sales in the HORECA market increased compared to the previous fiscal year, although they did not reach the level of the second preceding fiscal year.

In the Household market, demand for eating at home continued to rise, and sales of large-volume Ground Coffee products such as “GRAND TASTE” and “DRIP ON” drip bag coffee in individual cup remained steady. In the spring and summer new product lineup, “Decaffeinated Rich Taste Blend” was launched in two forms, i.e., VACUUM PACK Ground Coffee and DRIP ON, in response to the increasing number of consumers who are concerned about caffeine intake. In the fall and winter lineup, we launched two new items in the “Aroma Of Coffee Specialty Shops” series of LIVE PACK (Whole Bean) products that reproduce the taste of

coffee that has long been offered for commercial use, and also introduced the new Kilimanjaro blend, characterized by its high-quality acidity and richness, to the DRIP ON 10-pack series. In addition, we entered into a licensing agreement with INODA COFFEE, a long-established coffee shop in Kyoto, and launched two Ground Coffee products, “KYOTO INODA COFFEE OriginalBlend/Mocha Blend”.

For gift items, we have lined up a total of 27 items for the mid-year gift season, including DRIP ON and roasted coffee beans as well as popular beverage gifts such as “HYO-ON Aging Liquid Coffee Gift” and “Liquid Coffee & Drink Gift”, and a total of 20 items for the year-end gift season, including an assortment of “Organic Coffee Gift” and “Instant Drink Variety Gift (Stick Type)” to suit a variety of drinking occasions.

In addition, in order to secure appropriate profits, we revised the manufacturer’s shipping prices of roasted coffee bean products sold to our clients and conducted sales promotion activities in consideration of profitability.

As a result of the above, sales in the Household market exceeded the favorable results of the previous fiscal year.

In the ingredient market, sales volume to clients recovered and sales increased compared to the previous fiscal year.

Operating profit in the coffee-related business increased from the previous fiscal year due to higher sales in the mainstay commercial market and the effect of cost containment, such as labor and fixed costs, resulting from a new organizational structure.

Consequently, in the consolidated fiscal year under review, net sales for our coffee-related business were 48,474 million yen (a 5.9% increase compared with the previous consolidated fiscal year), and operating profit was 1,024 million yen (compared with operating loss of 834 million yen in the previous consolidated fiscal year).

(Restaurant-related businesses)

Although sales at Italian Tomato Co., Ltd. exceeded the results of the previous fiscal year, the number of customers visiting our stores remained sluggish and the business environment remained difficult due to the prolonged restrictions on activities and requests to shorten store operating hours as a result of the repeated issuance of state of emergency declarations and the application of priority measures to prevent the spread of the disease throughout the country.

Under these circumstances, our store management strived to create an environment where customers can visit our stores with peace of mind and employees can work with peace of mind, and we posted measures to prevent COVID-19 infection on our website to promote store visits. In addition, we worked to enhance our ability to attract customers by strengthening the product appeal of our morning, lunch, and other time-of-day menus, as well as by introducing monthly limited-edition drink and food menus using seasonal ingredients.

To meet increased demand for takeout, we expanded our menu offerings and implemented a delivery service through a home delivery agency. In addition, we opened limited-time-only stores at “SWEETS BOX,” a specialty sweets store located in train stations, and engaged in online sales of frozen cakes through a mail-order website specializing in cakes.

On the management front, we worked to improve productivity and reduce waste loss by assigning personnel and ordering and managing foodstuffs in response to changes in sales conditions, and promoted optimization of labor and raw material costs. In addition, we took advantage of various support such as employment adjustment subsidies, etc.

In store development, we reopened five existing “ITALIAN TOMATO Cafe Jr.” stores as the new brand store “Caffè ITALIAN TOMATO” and opened a new brand store of cake store “ITALIAN TOMATO DOLCERIA SMARK ISESAKI STORE”. In addition, we opened four franchise stores overseas (Hong Kong), while we proceeded with the liquidation of unprofitable stores that are unlikely to recover in profitability, resulting in a total of 157 stores (52 directly managed stores and 105 franchise stores).

Consequently, in the consolidated fiscal year under review, net sales in the food and beverage related business were 3,522 million yen (a 4.7% increase compared with the previous consolidated fiscal year), and

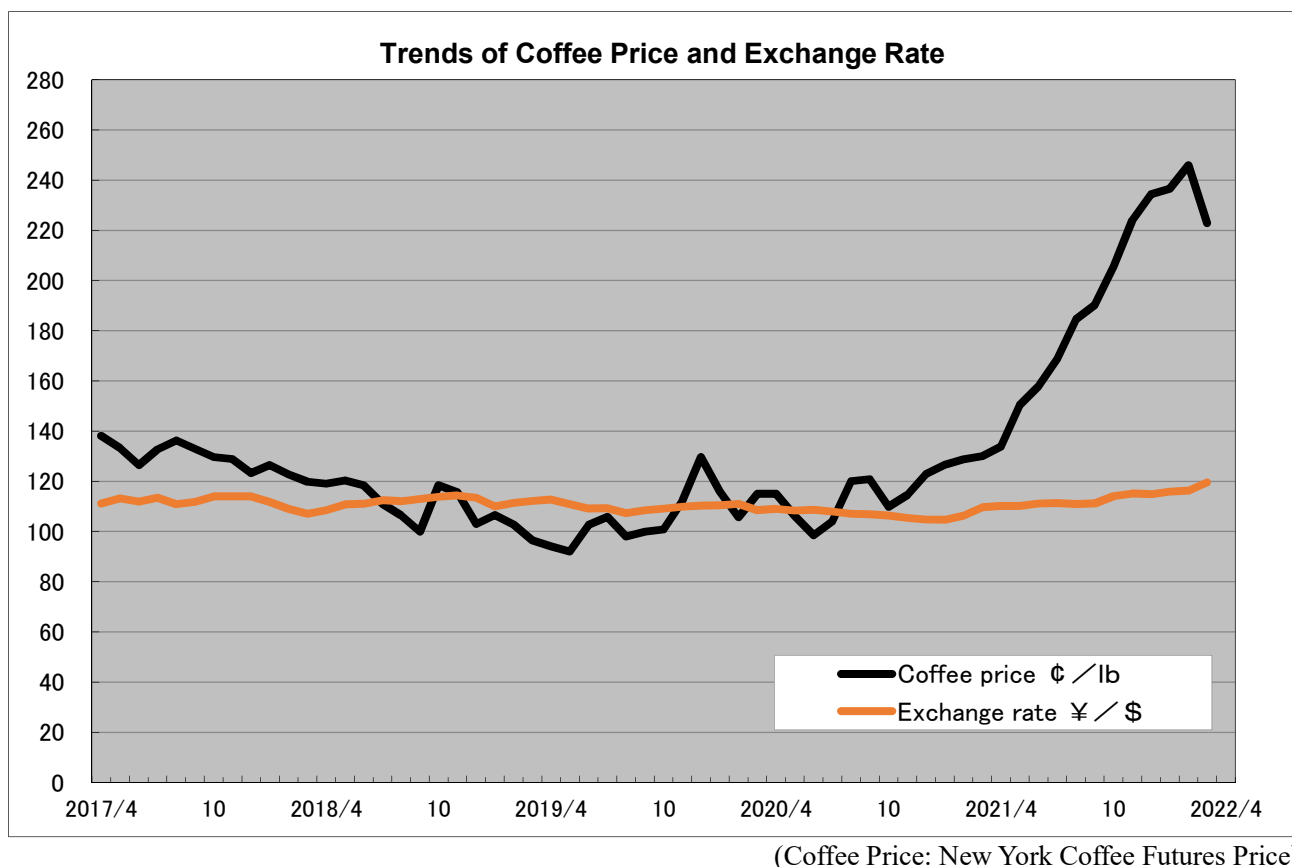
operating loss was 326 million yen (operating loss was 863 million yen in the previous consolidated fiscal year). As non-operating income, 369 million yen was recorded in subsidy income from various municipalities related to reduced operating hours.

(Other)

Honu KATO COFFEE Inc., which operates an e-commerce business, maintained sales on par with the strong performance of the previous fiscal year, thanks to an expanded product lineup, stronger efforts to capture gift demand, and improved convenience by shortening the time from order to shipment, which led to an increase in trial and loyal users. However, profits decreased mainly due to the rise in raw material costs.

Nic Foods Co., Ltd. was unable to increase orders for beverages for the commercial market due to the ongoing COVID-19 disaster, and sales remained at the same level as the previous fiscal year, but profits improved significantly despite an operating loss as a result of efforts to reduce costs and SG&A expenses.

Consequently, in the consolidated fiscal year under review, net sales for other businesses were 3,683 million yen (a 6.3% increase compared with the previous consolidated fiscal year) and operating profit was 188 million yen (a 510.3% increase compared with the previous consolidated fiscal year).



(2) Overview of Financial Position for the Fiscal Year under Review

At the end of the consolidated fiscal year under review, assets were 43.429 billion yen, a 364 million yen decrease compared with the end of the previous consolidated fiscal year. Liabilities decreased by 919 million yen to 12.948 billion yen. Net assets increased by 554 million yen to 30.481 billion yen.

The primary causes were as follows.

(Current assets)

At the end of the consolidated fiscal year under review, the balance of current assets was 26.393 billion yen, a decrease of 114 million yen from the end of the previous consolidated fiscal year. This was primarily due to a decrease in cash and deposits (down 313 million yen).

(Non-current assets)

At the end of the consolidated fiscal year under review, the balance of non-current assets was 17.036 billion yen, a decrease of 249 million yen from the end of the previous consolidated fiscal year. Property, plant and equipment decreased by 464 million yen primarily due to a decrease in buildings and structures (down 127 million yen) caused by the progress of depreciation, and a decrease in machinery, equipment, and vehicles (down 198 million yen). Intangible assets increased by 372 million yen due to such as an increase in other intangible assets (up 382 million yen). Investments and other assets decreased by 156 million yen due to such as a decrease in guarantee deposits (down 122 million yen).

(Current liabilities)

At the end of the consolidated fiscal year under review, the balance of current liabilities was 10.966 billion yen, a decrease of 546 million yen from the end of the previous consolidated fiscal year. This was primarily due to an increase in notes and accounts payable - trade (up 360 million yen) and a decrease in accounts payable - other (down 705 million yen).

(Non-current liabilities)

At the end of the consolidated fiscal year under review, the balance of non-current liabilities was 1.981 billion yen, a decrease of 372 million yen from the end of the previous consolidated fiscal year. This was primarily due to a decrease in retirement benefit liability (down 214 million yen).

(Net assets)

At the end of the consolidated fiscal year under review, the balance of net assets was 30.481 billion yen, an increase of 554 million yen from the end of the previous consolidated fiscal year. This was primarily due to an increase in retained earnings (up 448 million yen).

(3) Overview of Cash Flows for the Fiscal Year under Review

Net cash provided by operating activities was 861 million yen, mainly due to such factors as income before income taxes of 1.033 billion yen, depreciation of 965 million yen, an increase in trade receivables of 544 million yen, and a decrease in accounts payable - other of 636 million yen. (In the previous consolidated fiscal year, net cash used by operating activities was 1.193 billion yen.)

Net cash used in investing activities was 727 million yen due to such factors as purchase of property, plant and equipment of 460 million yen and purchase of intangible assets of 469 million yen. (In the previous consolidated fiscal year, net cash used in investing activities was 396 million yen.)

Net cash used in financing activities was 466 million yen due to such factors as dividend payments of 216 million yen and repayments of lease obligations of 155 million yen. (In the previous consolidated fiscal year, net cash used in financing activities was 908 million yen.)

As a result of the above, at the end of the consolidated fiscal year under review, the balance of cash and cash equivalents was 5.443 billion yen, a decrease of 313 million yen from the end of the previous

consolidated fiscal year.

(4) Future Outlook

The impact of the spread of COVID-19 infection has been prolonged, and consumption needs associated with lifestyle changes, diversification of work styles, and the digital shift are becoming the new norm.

Green coffee bean procurement prices, which heavily influence KEY COFFEE's financial results, have been rising due to the frost and lack of rainfall in Brazilian production areas and stagnation of marine transportation networks, as well as the impact of the yen's depreciation. In addition, various costs such as material and logistics expenses have been increasing due to rising resource and energy prices.

Under these environments, the KEY COFFEE Group will accelerate its efforts to meet the challenge of change and establish a foundation for making a leap forward as a second century company by undertaking further structural reform of its business and continuing to reduce costs by standardizing operations and optimizing inventories, etc.

In the HORECA market, we will continue our efforts to support clients in the commercial market by developing and proposing products and services that will enable us to connect changes in the market environment to new business opportunities, while maintaining our nationwide network of offices and the level of service we provide to our clients and promoting streamlining and efficiency in our operations.

In the Household market, we will enhance our presence by introducing new products and developing new categories to meet the diversifying needs of consumers as their lifestyles change. In addition, we will allocate management resources to priority regions to increase our market share.

We will focus on D2C business, which provides products directly to consumers, and overseas business, aiming to develop them into new business pillars following HORECA, Household, and ingredient use.

In the food and beverage-related business, the business environment remains challenging due to the continuing impact of the spread of COVID-19 infection. We will strive to recover our business performance by developing stores that adapt to the new environment, responding to take-out demand, and developing new menu items, as well as by improving the efficiency of store operations, reviewing the product manufacturing and supply system, and thoroughly reducing costs.

To support the execution of these business strategies, we will promote operational efficiency and sophistication by renewing our core system and production management system. We will also strive to maximize the value of our human capital by reforming our personnel system to enable diverse work styles.

The KEY COFFEE Group will conduct its business activities based on the recognition that the Group's *raison d'être* is not limited to providing products and services to its customers, but also to fulfilling its social responsibility as a corporation to the fullest extent possible. We have established "Coffee and KISSA as a Sustainable Company" as our new message, and we will continue to promote the appeal of coffee shops, which have built Japan's coffee culture together with our company over the past 100 years, to younger generations and to people not yet in contact with coffee shops, not only in Japan but also overseas. We will continue to strengthen our efforts.

In response to COVID-19 infection, we continue to place the highest priority on ensuring the safety and health of our customers, clients, and employees, and have formulated a company policy for the prevention of the spread of infectious diseases in line with government policy, and are thoroughly informing all employees of this policy.

In the social environment transformed by the COVID-19 disaster, the entire company is united in our efforts to be the most trusted coffee company, to pursue the potential of coffee and provide its value, and to be the first choice of our customers.

For the fiscal year ending March 31, 2023, we forecast net sales of 64.0 billion yen, operating profit of 550 million yen, ordinary income of 700 million yen, and net income attributable to shareholders of parent of 500 million yen.

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year under Review and the Next Fiscal Year

In order to both redistribute profit to our shareholders and secure the internal reserves necessary for future business development and the strengthening of our corporate foundation, KEY COFFEE's basic policy is to strive for steady dividends.

Based on the above basic policy, the Company plans to pay a year-end dividend of 5 yen per share for the fiscal year under review, although the future outlook remains unpredictable after considering the future business outlook and other factors. Combined with the interim dividend of 5 yen per share already paid, the annual dividend will be 10 yen per share.

For the fiscal year ending March 31, 2023, the Company plans to pay an annual dividend of 10 yen per share, consisting of an interim dividend of 5 yen per share and a year-end dividend of 5 yen per share, in accordance with the above basic policy.

2. Basic Policy on Selection of Accounting Standards

Taking into consideration comparability between businesses as regards consolidated financial statements, the policy of the KEY COFFEE Group is to create consolidated financial statements in accordance with Japanese generally accepted accounting principles for the time being. Concerning IFRS, the policy of the KEY COFFEE Group is to take into consideration all domestic and international circumstances and respond accordingly.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	5,756	5,443
Notes and accounts receivable - trade	11,075	—
Notes receivable - trade	—	46
Accounts receivable - trade	—	11,578
Merchandise and finished goods	2,363	2,474
Work in process	160	194
Raw materials and supplies	6,219	5,976
Other	1,003	758
Allowance for doubtful accounts	(71)	(79)
Total current assets	26,508	26,393
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,628	15,883
Accumulated depreciation	(11,402)	(11,783)
Buildings and structures, net	4,226	4,099
Machinery, equipment and vehicles	11,770	11,913
Accumulated depreciation	(10,301)	(10,643)
Machinery, equipment and vehicles, net	1,468	1,269
Land	6,596	6,570
Other	3,603	3,516
Accumulated depreciation	(2,899)	(2,926)
Other, net	703	590
Total property, plant and equipment	12,995	12,530
Intangible assets		
Goodwill	125	115
Other	157	539
Total intangible assets	283	655
Investments and other assets		
Investment securities	2,692	2,716
Long-term loans receivable	48	37
Deferred tax assets	165	109
Guarantee deposits	889	767
Other	407	384
Allowance for doubtful accounts	(196)	(165)
Total investments and other assets	4,007	3,850
Total non-current assets	17,286	17,036
Total assets	43,794	43,429

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,611	6,972
Short-term borrowings	149	82
Accounts payable - other	2,891	2,185
Income taxes payable	280	259
Provision for bonuses	300	321
Other provisions	4	–
Other	1,275	1,145
Total current liabilities	11,512	10,966
Non-current liabilities		
Long-term borrowings	38	–
Deferred tax liabilities	142	141
Deferred tax liabilities for land revaluation	478	478
Provision for share awards	45	47
Other provisions	3	3
Retirement benefit liability	700	486
Asset retirement obligations	445	434
Other	501	389
Total non-current liabilities	2,354	1,981
Total liabilities	13,867	12,948
Net assets		
Shareholders' equity		
Share capital	4,628	4,628
Capital surplus	5,104	5,106
Retained earnings	24,868	25,317
Treasury shares	(2,556)	(2,543)
Total shareholders' equity	32,045	32,509
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	389	342
Revaluation reserve for land	(2,736)	(2,736)
Foreign currency translation adjustment	(23)	(9)
Remeasurements of defined benefit plans	(1)	98
Total accumulated other comprehensive income	(2,372)	(2,304)
Non-controlling interests	253	276
Total net assets	29,926	30,481
Total liabilities and net assets	43,794	43,429

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	52,602	55,680
Cost of sales	39,699	41,395
Gross profit	12,903	14,285
Selling, general and administrative expenses		
Advertising and sample expense	1,370	1,226
Packing and transportation costs	2,296	2,271
Vehicle expenses	431	414
Provision of allowance for doubtful accounts	64	5
Remuneration for directors (and other officers)	249	262
Salaries and bonuses	5,087	4,593
Provision for bonuses	239	256
Retirement benefit expenses	155	115
Welfare expenses	877	778
Rent expenses	1,160	950
Depreciation	443	320
Supplies expenses	229	190
Research and development expenses	188	177
Other	2,580	2,317
Total selling, general and administrative expenses	15,373	13,879
Operating profit (loss)	(2,470)	405
Non-operating income		
Interest income	2	2
Dividend income	21	22
Share of profit of entities accounted for using equity method	–	108
Foreign exchange gains	–	23
Rental income from real estate	51	68
Reversal of allowance for doubtful accounts	2	–
Subsidy income	54	369
Other	79	55
Total non-operating income	211	649
Non-operating expenses		
Interest expenses	9	7
Share of loss of entities accounted for using equity method	835	–
Rental expenses on real estate	8	15
Loss on cancellation of rental contracts	9	4
Provision of allowance for doubtful accounts	17	–
Other	20	6
Total non-operating expenses	900	32
Ordinary profit (loss)	(3,159)	1,022

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Extraordinary income		
Gain on sale of investment securities	88	58
Total extraordinary income	88	58
Extraordinary losses		
Impairment losses	197	46
Loss on valuation of investment securities	33	–
Restructuring expenses	593	–
Total extraordinary losses	824	46
Profit (loss) before income taxes	(3,895)	1,033
Income taxes - current	162	221
Income taxes - deferred	51	58
Total income taxes	213	279
Profit (loss)	(4,109)	753
Profit (loss) attributable to non-controlling interests	(25)	10
Profit (loss) attributable to owners of parent	(4,084)	742

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit (loss)	(4,109)	753
Other comprehensive income		
Valuation difference on available-for-sale securities	117	(35)
Foreign currency translation adjustment	(8)	15
Remeasurements of defined benefit plans, net of tax	315	100
Share of other comprehensive income of entities accounted for using equity method	12	(11)
Total other comprehensive income	436	68
Comprehensive income	(3,673)	822
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,647)	810
Comprehensive income attributable to non-controlling interests	(25)	12

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,628	5,104	29,191	(2,556)	36,367
Changes during period					
Dividends of surplus			(238)		(238)
Profit (loss) attributable to owners of parent			(4,084)		(4,084)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(4,322)	(0)	(4,322)
Balance at end of period	4,628	5,104	24,868	(2,556)	32,045

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	260	(2,736)	(15)	(316)	(2,808)	279	33,838
Changes during period							
Dividends of surplus							(238)
Profit (loss) attributable to owners of parent							(4,084)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	129	—	(8)	315	436	(25)	411
Total changes during period	129	—	(8)	315	436	(25)	(3,911)
Balance at end of period	389	(2,736)	(23)	(1)	(2,372)	253	29,926

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,628	5,104	24,868	(2,556)	32,045
Cumulative effects of changes in accounting policies			(64)		(64)
Restated balance	4,628	5,104	24,804	(2,556)	31,981
Changes during period					
Dividends of surplus			(216)		(216)
Profit (loss) attributable to owners of parent			742		742
Disposal of treasury shares				13	13
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Other		0	(13)		(12)
Net changes in items other than shareholders' equity					
Total changes during period	–	2	512	13	528
Balance at end of period	4,628	5,106	25,317	(2,543)	32,509

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	389	(2,736)	(23)	(1)	(2,372)	253	29,926
Cumulative effects of changes in accounting policies							(64)
Restated balance	389	(2,736)	(23)	(1)	(2,372)	253	29,862
Changes during period							
Dividends of surplus							(216)
Profit (loss) attributable to owners of parent							742
Disposal of treasury shares							13
Change in ownership interest of parent due to transactions with non-controlling interests							1
Other							(12)
Net changes in items other than shareholders' equity	(46)	–	14	99	67	23	90
Total changes during period	(46)	–	14	99	67	23	618
Balance at end of period	342	(2,736)	(9)	98	(2,304)	276	30,481

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(3,895)	1,033
Depreciation	1,211	965
Impairment losses	197	46
Subsidy income	(54)	(369)
Restructuring expenses	593	–
Loss (gain) on sale of investment securities	(88)	(58)
Loss (gain) on valuation of investment securities	33	–
Increase (decrease) in allowance for doubtful accounts	6	(31)
Increase (decrease) in provision for bonuses	(36)	20
Increase (decrease) in provision for share awards	2	2
Increase (decrease) in retirement benefit liability	(207)	(147)
Interest and dividend income	(24)	(24)
Interest expenses	9	7
Share of loss (profit) of entities accounted for using equity method	835	(108)
Decrease (increase) in trade receivables	821	(544)
Decrease (increase) in inventories	(482)	102
Increase (decrease) in trade payables	(506)	349
Increase (decrease) in accounts payable - other	673	(636)
Other, net	(136)	(15)
Subtotal	(1,046)	592
Interest and dividends received	20	20
Subsidies received	54	369
Dividends received from entities accounted for using equity method	29	–
Interest paid	(7)	(7)
Payment of cancellation penalty free	(9)	(4)
Income taxes paid	(222)	(232)
Income taxes refund	(11)	124
Net cash provided by (used in) operating activities	(1,193)	861
Cash flows from investing activities		
Purchase of investment securities	(14)	–
Proceeds from sale and redemption of investment securities	155	93
Purchase of property, plant and equipment	(448)	(460)
Proceeds from sale of property, plant and equipment	–	14
Purchase of intangible assets	(16)	(469)
Other, net	(72)	95
Net cash provided by (used in) investing activities	(396)	(727)

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(325)	(9)
Repayments of long-term borrowings	(137)	(98)
Purchase of treasury shares	(0)	–
Dividends paid	(238)	(216)
Repayments of lease liabilities	(207)	(155)
Other, net	–	12
Net cash provided by (used in) financing activities	(908)	(466)
Effect of exchange rate change on cash and cash equivalents	(5)	18
Net increase (decrease) in cash and cash equivalents	(2,504)	(313)
Cash and cash equivalents at beginning of period	8,261	5,756
Cash and cash equivalents at end of period	5,756	5,443

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

1. Application of the Accounting Standard for Revenue Recognition and other standards

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the reporting period. The Company recognizes revenue when control of a promised goods or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

As a result, the Company changed its method of recognizing revenue from sales of goods and products at the time of arrival of goods and products from the previous method of recognizing revenue at the time of shipment. In addition, we had recognized franchise fee at Italian Tomato Co., Ltd. at the time of receipt of funds, but have changed to a method of recognizing revenues over a certain period of time in light of the fact that we provide its customers with know-how to operate its restaurants over a certain period of time. In addition, subsidiaries that participate in a point program operated by a third party previously recognized revenues in the gross amount of consideration received from customers, but have changed to recognizing revenue in the net amount of such gross consideration less the amount to be collected on behalf of the third party.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the reporting period, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the reporting period in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the reporting period were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the reporting period.

In accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not reclassified the financial statements for the previous fiscal year by using the new presentation method.

As a result, for the fiscal year under review, net sales decreased 111 million yen; cost of sales increased 3 million yen; selling, general and administrative expenses decreased 108 million yen; and operating profit, ordinary profit and income before income taxes decreased 7 million yen, respectively. The beginning balance of retained earnings decreased by 64 million yen.

2. Application of the Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Accounting Standard for Fair Value Measurement”), etc., effective from the beginning of the first quarter of the fiscal year ended March 31, 2022 and in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the

Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. into the future. This has no impact on the consolidated financial statements.

(Change in presentation method)

1. Consolidated Statements of Cash Flows

“Subsidy income” and “Subsidies received” in “Net cash provided by (used in) operating activities” are presented as separate line items in the consolidated statements of cash flows from the consolidated fiscal year under review due to their increased importance in monetary terms. To reflect this change in presentation, the consolidated statements of cash flows for the previous fiscal year have been reclassified.

As a result, “Subsidy income” of (54) million yen and “Subsidies received” of 54 million yen in “Cash flows from operating activities” are independently presented in the consolidated statement of cash flows for the previous consolidated fiscal year, and “Subtotal” of (991) million yen is changed to (1,046) million yen.

“Increase (decrease) in accrued consumption taxes” in “Cash flows from operating activities,” which was independently presented in the previous consolidated fiscal year, is included in “Other” in the consolidated fiscal year under review because the amount is no longer significant in monetary terms. To reflect this change in the presentation, the consolidated statements of cash flows for the previous consolidated fiscal year have been reclassified.

As a result, “Increase (decrease) in accrued consumption taxes” of 106 million yen in “Cash flows from operating activities” in the consolidated statements of cash flows for the previous consolidated fiscal year has been reclassified as “Other” in “Cash flows from operating activities.”

(Segment information, etc.)

1. Overview of reportable segments

KEY COFFEE’s reportable segments are segments for which separate financial information is available from among the constituent units of the KEY COFFEE Group and are regularly reviewed by the Board of Directors in order to determine the allocation of management resources and evaluate financial results.

The KEY COFFEE Group operates businesses spanning multiple industries, including coffee- and restaurant-related businesses as well as transportation and logistics. KEY COFFEE and KEY COFFEE’s consolidated subsidiaries each engage in business activities as independent management units.

On the basis of the ratio of consolidated net sales which they occupy, KEY COFFEE has the two reportable segments of coffee-related businesses and restaurant-related businesses.

Coffee-related businesses are businesses operated by KEY COFFEE and involve the sale of coffee products, etc. to consumers, restaurants, food wholesalers, and beverage manufacturers.

Restaurant-related businesses are operated by Italian Tomato Co., Ltd. and Almond Co., Ltd. and involve restaurant businesses and the sale of western-style sweets, etc.

2. Calculation method for net sales, profit (loss), assets, liabilities, and other items by reportable segment

Excluding valuation criteria for inventories, the accounting method used for reported business segments is generally the same as the description in “Material matters that serve as the basis for preparing consolidated financial statements.”

Inventories are valued according to value before reduction of book value based on decreased profitability. Figures for the profit of reportable segments are based on operating profit. Intersegment sales or transfer amounts are based on market prices.

3. Information on net sales and income (loss) by reportable segment

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Coffee-related businesses	Restaurant- related businesses	Total				
Net sales							
Net sales to outside customers	45,775	3,363	49,138	3,463	52,602	—	52,602
Inter-segment net sales or transfers	460	10	470	1,552	2,023	(2,023)	—
Total	46,235	3,374	49,609	5,016	54,626	(2,023)	52,602
Segment income (loss)	(834)	(863)	(1,698)	30	(1,667)	(803)	(2,470)
Segment assets	33,868	1,890	35,758	4,804	40,563	3,231	43,794
Segment liabilities	12,057	3,021	15,078	1,094	16,173	(2,305)	13,867
Other items							
Depreciation	907	90	998	191	1,189	21	1,211
Amortization of goodwill	—	—	—	130	130	—	130
Increase in property, plant and equipment and intangible assets	389	131	520	118	639	—	639

(Notes) 1. The “Other” section consists of business segments not included in reportable segments and includes beverage product manufacturing, office coffee service, e-commerce, transportation and logistics, and insurance agency businesses operated by consolidated subsidiaries.

2. Adjustments consisted of the following.

- (1) The adjustment of negative 803 million yen to segment profit (loss) includes an elimination of internal transactions of negative 100 million yen, an inventories adjustment of negative 43 million yen, and corporate expenses not allocated to reportable segments of negative 659 million yen. Corporate expenses primarily consist of general expenses that do not belong to reportable segments.
- (2) The adjustment of 3.231 billion yen to segment assets includes corporate assets that do not belong to reportable segments of 6.520 billion yen; and capital and receivable offsets with intersegment investments, etc. of negative 3.289 billion yen. Corporate assets primarily consist of assets relating to administrative divisions.
- (3) The adjustment of negative 2.305 billion yen to segment liabilities consists of an intersegment obligation offset.

3. Segment profit (loss) has been adjusted with operating loss in financial statements.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Coffee-related businesses	Restaurant- related businesses	Total				
Net sales							
Net sales to outside customers	48,474	3,522	51,997	3,683	55,680	—	55,680
Inter-segment net sales or transfers	588	12	600	1,465	2,066	(2,066)	—
Total	49,062	3,535	52,597	5,148	57,746	(2,066)	55,680
Segment income (loss)	1,024	(326)	697	188	885	(480)	405
Segment assets	33,786	1,771	35,558	5,113	40,671	2,758	43,429
Segment liabilities	11,680	2,928	14,608	1,108	15,717	(2,768)	12,948
Other items							
Depreciation	709	72	781	163	944	20	965
Amortization of goodwill	—	—	—	9	9	—	9
Increase in property, plant and equipment and intangible assets	820	160	981	55	1,036	—	1,036

(Notes) 1. The “Other” section consists of business segments not included in reportable segments and includes beverage product manufacturing, office coffee service, e-commerce, transportation and logistics, and insurance agency businesses operated by consolidated subsidiaries.

2. Adjustments consisted of the following.

- (1) The adjustment of negative 480 million yen to segment profit (loss) includes an elimination of internal transactions of negative 6 million yen, an inventories adjustment of negative 18 million yen, and corporate expenses not allocated to reportable segments of negative 491 million yen. Corporate expenses primarily consist of general expenses that do not belong to reportable segments.
- (2) The adjustment of 2.758 billion yen to segment assets includes corporate assets that do not belong to reportable segments of 6.206 billion yen; and capital and receivable offsets with intersegment investments, etc. of negative 3.448 billion yen. Corporate assets primarily consist of assets relating to administrative divisions.
- (3) The adjustment of negative 2.768 billion yen to segment liabilities consists of an intersegment obligation offset.

3. Segment profit (loss) has been adjusted with operating profit in financial statements.

(Per share information)

	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)
Net assets per share	¥1,386.27	¥1,410.70
Profit (loss) per share	¥(190.80)	¥34.69

(Notes)

1. Diluted profit per share is not presented because no potential shares exist.
2. The company's own shares in the Board Benefit Trust (BBT) recorded as treasury shares under shareholders' equity are included in treasury stock excluded from the calculation of the average number of shares outstanding during the period used for calculating net assets per share and profit per share or loss per share.
3. The number of said treasury shares at the end of the period excluded from the calculation of net assets per share was 274,700 in the previous fiscal year and 268,500 in the consolidated fiscal year under review.
4. The average number of said treasury shares during the period excluded from the calculation of profit per share or loss per share was 274,700 in the previous fiscal year and 269,450 in the consolidated fiscal year under review.
5. The basis for the calculation of profit per share or loss per share is as follows.

Item	Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)	Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)
Profit (loss) per share		
Profit (loss) attributable to owners of parent (Million yen)	(4,084)	742
Amount not attributable to common shareholders (Million yen)	—	—
Profit (loss) attributable to owners of parent relating to common shares (Million yen)	(4,084)	742
Average number of common shares outstanding during the period (Shares)	21,405,056	21,410,294

(Significant subsequent events)

Not applicable.