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Consolidated Financial Report For the Six Months Ended August 31, 2023 (IFRS)

October 11, 2023

Company Name :	KOMEDA Holdings Co., Ltd.	Stock Exchange Listing :	Tokyo and Nagoya
Securities Code :	3543	URL :	https://www.komeda-holdings.co.jp/en/index.html
Representative :	Yuichi Amari, President & CEO		
Contact for enquiries :	Hiroki Shimizu, Managing Director & CFO (TEL) +81-52-936-8880		
Filing date of quarterly security report (as planned) :	October 11, 2023		
Dividend payable date (as planned) :	November 28, 2023		
Supplemental material of financial results :	Yes		
Convening briefing of financial results :	Yes		

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended August 31, 2023

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Six months ended August 31, 2023	21,284	17.5	4,322	15.1	4,288	12.6	2,920	12.7	2,918	12.9	2,931	12.5
August 31, 2022	18,111	10.5	3,756	(1.1)	3,807	1.3	2,592	1.4	2,585	1.1	2,605	1.8

	Basic earnings per share	Diluted earnings per share
Six months ended August 31, 2023	(Yen) 63.49	(Yen) 63.44
August 31, 2022	56.06	55.95

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
As of August 31, 2023	(Millions of yen) 98,757	(Millions of yen) 41,222	(Millions of yen) 41,222	(%) 41.7
February 28, 2023	100,045	40,619	40,543	40.5

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Fiscal year ended February 28, 2023	(Yen) —	(Yen) 26.00	(Yen) —	(Yen) 26.00	(Yen) 52.00
Fiscal year ending February 29, 2024	—	26.00			
Fiscal year ending February 29, 2024 (Forecasted)			—	27.00	53.00

3. Forecasts on the Consolidated Financial Results for the Fiscal Year Ending February 29, 2024 (March 1, 2023 - February 29, 2024)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the parent		Basic earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Fiscal year ending February 29, 2024	42,500	12.3	8,700	8.4	8,650	8.1	5,880	7.9	5,877	8.3	127.33

(Notes) Revision of forecasts: No

(1) Changes in status of significant subsidiaries during the period

(changes in specified subsidiaries accompanying changes in : No scope of consolidation)

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required by IFRSs : Yes

(ii) Changes in accounting policies other than those in (i) : No

(iii) Changes in accounting estimates : No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of August 31, 2023	46,227,900	As of February 28, 2023	46,203,900
(ii) Number of treasury stock	As of August 31, 2023	409,869	As of February 28, 2023	46,839
(iii) Average number of issued shares during the period	Six Months ended August 31, 2023	45,965,030	Six Months ended August 31, 2022	46,116,742

* This report is not subject to quarterly review procedures.

* Notes for using forecasted information and other matters

-The forecasts above are based on information available at the date of this report and certain assumptions deemed to be reasonable. The Company does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various uncertainties.

- Supplementary materials will be posted on our web site on October 13, 2023.

(Appendix)

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1. Qualitative Information on Business and Financial Results

(1) Overview of Operating Results

During the second quarter cumulative period (March 1 to August 31, 2023) of fiscal 2023 (ending February 29, 2024), in the food service industry of which KOMEDA Holdings Group is a part, normalization of economic and social activity further accelerated, and the trend toward economic recovery strengthened as a result of the relaxation of restrictions on movement and inbound tourism implemented in the wake of the COVID-19 pandemic, and the downgrading of the legal classification of COVID-19 to Class 5. Nevertheless, the business environment continues to be extremely uncertain due to such factors as supply chain disruptions caused by Russia's invasion of Ukraine, rising food material prices and energy costs with the depreciation of the yen, an increasingly severe labor shortage from difficulties in recruiting personnel, and changes in consumer behavior and values.

In such a business environment, KOMEDA Holdings Co., Ltd. ("KOMEDA" or "the Company"), under the slogan "Link People, Communities, and Society through KUTSUROGI" outlined in its medium-term business plan "VALUES 2025," worked to expand and enhance its existing business model, pursue the co-creation of new value, and maintain and enhance its financial value.

At stores, KOMEDA implemented measures that led to an increase in customer visits, including the launch of the seasonal item Shiro-noir Black Mont Blanc, a collaboration with Takeshita Seika, based on its popular Black Mont Blanc ice cream. From July, the Company conducted the "1000 Thank You Campaign" to commemorate Komeda Group reaching 1,000 stores, comprising the Phase 1 "KUTSUROGI 4 You Coupon", the Phase 2 "Half-Price Mini Shiro-noir" and the Phase 3 "Get! Win! with KOMECA" events. KOMEDA also renewed its coffee ticket scheme, allowing customers to select either nine tickets with an extra cup per book, or an affordably priced five tickets, which led to the acquisition of more regular customers. As a result of these measures, along with the boost from an increase in wholesale prices to franchise stores implemented in September 2022, same-store wholesale sales to franchise stores rose 15.6% from the same period of the previous fiscal year, with all-store sales increasing 19.9%.

In terms of the number of stores, the Company opened 17 new Komeda's Coffee locations, mainly in eastern Japan, western Japan, and overseas. As a result, the total number of stores amounted to 1,003 stores at the end of the subject period.

Brand	Area	At February 28, 2023	Newly Opened	Closed	At August 31, 2023
KOMEDA's Coffee	East	308 (21)	7 (-)	- (-)	315 (17)
	Central	304 (3)	1 (-)	1 (-)	304 (4)
	West	319 (10)	6 (-)	- (-)	325 (9)
	Overseas	37 (13)	3 (1)	- (-)	40 (14)
Okagean	All	13 (7)	- (-)	- (-)	13 (6)
BAKERY ADEMOK KOMEDA is □ Dai-An-Kichi-Jitsu La Vinotheque	All	6 (6)	- (-)	- (-)	6 (6)
Total		987 (60)	17 (1)	1 (-)	1,003 (56)

*1. Figures in parenthesis are the number of company-owned stores, and are included in the total.

2. A total of six company-owned stores were changed to franchise stores, four in East Japan, one in West Japan, and one in Central Japan. One franchise store in Central Japan was changed to company-owned store.

As a result, revenue during the subject period amounted to ¥21,284 million (an increase of 17.5% from the same period of the previous fiscal year), with operating profit of ¥4,322 million (up 15.1%), income before income taxes of ¥4,288 million (up 12.6%), and net income attributable to owners of the parent of ¥2,918 million (up 12.9%).

KOMEDA Holdings Group, to contribute to the realization of a sustainable society through its business activities, has classified material issues that it considers a priority (materiality) into the three themes of “Quality and Customers,” “People and Job Satisfaction,” and “Environment.” The main initiatives implemented for each of these themes during the subject period to enhance the corporate group’s economic value and address societal issues, are as follows. **(Items in bold are new initiatives implemented between June and August 2023.)**

Quality and Customers

Providing safe and reliable products and services	Conducted regular hazard prediction training (KYT) activities to improve safety and quality at manufacturing plants.
	Enhanced the functionality of the search function for specific ingredients on the Company’s website to prevent health hazards caused by food allergies.
	Built the Kyushu Coffee Plant in Munakata-shi (Fukuoka Prefecture) and began supplying products to select stores in Kyushu and Yamaguchi Prefecture.
Responding to diverse customer needs	Launched seasonal flavors for the mainstay Jericho dessert drink series, “Jericho Kagabo Hojicha” and “Jericho Creme Brûlée.”
	Added two flavors to the lineup of the summer staple shaved ice, “Mango & Jasmine Tea” and “Craft Cola.”
	Launched “Ogura Noir Yuzunagomi” and “Ogura Neige Yuzunagomi” with in-house made <i>ogura-an</i> sweet bean paste and yuzu sauce from Kochi Prefecture.
	Launched collaboration products “Shiro-noir Black Mont Blanc” and “Kuro-neige Black Mont Blanc” with Takeshita Seika, based on its popular <i>Black Mont Blanc</i> ice cream.
	Launched Shiro-noir “Milk Noir” and Kuro-neige “Milk Neige” with generous portions of condensed milk.
	Launched “Yayoi Burger,” KOMEDA Coffee’s first teriyaki-flavored burger.
	Held the annual Curry Festival, launching three products including “Chicken Cutlet Curry Bread” using curry sauce jointly developed with Shinjuku Nakamura.
	Launched a second original bean confectionery based on the popular “Chiikawa” manga character.
	Sold “KOMEDA Coffee’s Ogura Toast Sable” with Grapestone Co., Ltd. at JR Nagoya Station and other locations.
	Sold products with Morinaga & Co., Ltd., including “Strawberry Ole Float,” “Shiro-noir Cream Sandwich Cookie,” “Chocoball Shiro-noir,” “Koeda Kuro-neige,” and “Coffee Caramel.”
	Sold “Ichiban Kuji Coffee Shop KOMEDA’s Coffee” with Bandai Spirits Co., Ltd.
	Sold “Petit Sample Coffee Shop KOMEDA’s Coffee” to enjoy the world of store of KOMEDA’s Coffee at home, with RE-MENT Co., Ltd.
	Conducted the “1000 Thank You Campaign” (Phases 1-3) to commemorate the KOMEDA Group reaching 1,000 stores.
	Renewed the coffee ticket scheme, selling two types: Nine tickets with an extra cup per book, and an affordably priced five tickets.
	Updated the official mobile app, improving customer convenience by adding functionality developed in cooperation with the prepaid card KOMECA to allow customers to pay with just the app, without having a plastic card.
Included information on the website with the caffeine content (reference value) of coffee, tea, cola, cocoa, and other beverages.	
Contributions to mental and physical health	To familiarize and promote in the medical community KOMEDA’s “Toromi Coffee” (thickened coffee) for people who have difficulty swallowing, gave a presentation at the 31st Annual Meeting of the Japan Coma Society.

Involvement and investment in communities	Held work experience programs at production plants for local students and other groups.
	Held after-school program “Tera-Koya Komeda” on a weekly basis at the Yokohama Eda store, Ukima Park store, and Komazawa Park store.
	Dispatched KOMEDA food trucks to various areas, delivering Komeda-style relaxation to places where there are no stores.
	Promoted community contribution activities that allow customers to come together and connect through stores of KOMEDA’s Coffee, such as holding workshops at stores and markets in parking lots, and participating in community events.
	Provided KOMEDA meal items for the summer training camp of the Meijo University Women’s Ekiden Team, of which Komeda is a regular supporter.
Education and awareness regarding sustainable consumption	Conducted experience programs at elementary schools in Aichi Prefecture to deepen understanding of sustainability initiatives at KOMEDA’s Coffee related to coffee.

People and Job Satisfaction

Establishing an environment to secure human resources and support growth	Expanded scope of store initiation training provided for directors to include manager-level positions and above, in order to maintain and enhance the sense of workplace atmosphere.
	Introduced level-specific training for next-generation human resources development.
Positive employment relationships and proper working conditions	Conducted engagement surveys to encourage independent effort, and to enhance well-being, a sense of belonging, and willingness to contribute.
	With the aim of improving job satisfaction at franchise stores, expanded the scope of stores included in employee satisfaction surveys from the previous fiscal year.
Activation of Diverse Human Resources	To facilitate smooth communication in the workplace for employees from Myanmar and establish an environment for job satisfaction, provided opportunities for learning Japanese and support for the taking of the Japanese-Language Proficiency Test (JLPT).
Eradicating discrimination and harassment	Conducted harassment prevention training to maintain a rewarding work environment.

Environment

Waste reduction and material recycling	Reduced the use of plastic packaging materials, including abolishing plastic bread bag fasteners.
	Donated food to neighborhood cafeterias for children and food banks as an initiative to reduce food loss and strengthen ties with local communities.
	Reused beams from the Hirakata-shi Ekimae store for the interior renovation as part of an effort to utilize old wood, waste wood, and scrap wood.
Response to climate change	Transitioned gradually from using dry ice when shipping frozen items to stores, to reusable cold storage materials.
	Based on the framework of the TCFD recommendations on climate-related financial disclosures, provided information on the corporate website regarding CO₂ emissions for the fiscal year ending February 2023, and the impact of future climate change on the Company’s business.
	Installed solar panels at the Chiba Plant and Kanto Coffee Plant.

(2) Overview of Financial Position

The status of assets, liabilities, and equity at the end of the subject second quarter cumulative period was as follows.

Current assets decreased ¥273 million from the end of the previous fiscal year (February 28, 2023) to ¥16,211 million, due mainly to a decrease in cash and cash equivalents. Non-current assets decreased ¥1,015 million to ¥82,546 million, due mainly to a decrease in property, plant, and equipment. As a result, total assets at the end of the subject second quarter cumulative period (August 31, 2023) decreased ¥1,288 million from the end of the previous fiscal year (February 28, 2023), to ¥98,757 million.

Current liabilities increased ¥107 million from the end of the previous fiscal year to ¥12,235 million, due mainly to an increase in trade payables. Non-current liabilities decreased ¥1,998 million to ¥45,300 million, due mainly to a decrease in lease liabilities. As a result, total liabilities decreased ¥1,891 million to ¥57,535 million.

Total equity decreased ¥603 million from the end of the previous fiscal year to ¥41,222 million. This was due mainly to ¥1,200 million in dividends of surplus, and ¥1,000 million in acquisition of treasury stock, against ¥2,920 million in net income for the period.

(3) Overview of Cash Flows

Cash and cash equivalents at the end of the subject second quarter cumulative period amounted to ¥6,044 million, a decrease of ¥637 million from the end of the previous fiscal year. The status of cash flows by activity and underlying factors were as follows.

(Cash flow from operating activities)

Cash provided by operating activities amounted to ¥5,813 million (an increase of ¥1,202 million from the same period of the previous fiscal year). This mainly reflected income before income tax of ¥4,288 million (increase of ¥481 million), a decrease in trade and other receivables of 625 million (increase of ¥780 million), and income taxes paid of ¥1,143 million (decrease of ¥272 million).

(Cash flow from investing activities)

Cash used in investing activities amounted to ¥1,294 million (a decrease of ¥740 million from the same period of the previous fiscal year). This mainly reflected a decrease in time deposits of ¥800 million in net increase (decrease of ¥700 million).

(Cash flow from financing activities)

Cash used in financing activities amounted to ¥5,162 million (an increase of ¥928 million from the same period of the previous fiscal year). This mainly reflected repayment of borrowings of ¥978 million (decrease of ¥174 million), repayments of lease liabilities of ¥1,835 million (increase of ¥47 million), purchase of treasury stock of ¥1,000 million (increase of ¥900 million), and cash dividends paid to owners of the parent of ¥1,199 million (increase of ¥1 million).

(4) Explanation of Consolidated Results Forecasts and Other Future Predictions

Consolidated results forecasts for the fiscal year ending February 29, 2024 are unchanged from those announced on April 12, 2023.

2. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position (Unaudited)

(Millions of yen)

	February 28, 2023	August 31, 2023
Assets		
Current assets		
Cash and cash equivalents	6,681	6,044
Trade and other receivables	5,285	5,250
Other financial assets	3,336	4,137
Inventories	294	319
Other current assets	888	461
Total current assets	16,484	16,211
Non-current assets		
Property, plant and equipment	14,316	13,701
Goodwill	38,354	38,354
Other intangible assets	374	394
Trade and other receivables	26,523	26,009
Other financial assets	3,315	3,378
Deferred tax assets	299	277
Other non-current assets	380	433
Total non-current assets	83,561	83,546
Total assets	100,045	98,757
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	2,075	2,319
Borrowings	1,941	1,925
Lease liabilities	3,602	3,602
Income tax payable	1,322	1,527
Other financial liabilities	1,949	1,608
Other current liabilities	1,239	1,254
Total current liabilities	12,128	12,235
Non-current liabilities		
Borrowings	10,143	9,181
Lease liabilities	29,874	28,709
Other financial liabilities	6,486	6,579
Provisions	389	386
Other non-current liabilities	406	445
Total non-current liabilities	47,298	45,300
Total liabilities	59,426	57,535
Equity		
Share capital	651	656
Capital surplus	13,100	13,008
Retained earnings	26,895	28,613
Treasury stock	(109)	(1,069)
Other components of equity	6	14
Equity attributable to owners of the parent	40,543	41,222
Non-controlling interests	76	—
Total equity	40,619	41,222
Total liabilities and equity	100,045	98,757

2. Consolidated Financial Statements (continued)

(2) Consolidated Statements of Income (Unaudited)

	(Millions of yen)	
	Six Months ended August 31,	
	2022	2023
Revenue	18,111	21,284
Cost of sales	(11,831)	(14,017)
Gross profit	6,280	7,267
Other operating income	164	119
Selling, general and administrative expenses	(2,670)	(3,051)
Other operating expenses	(18)	(13)
Operating profit	3,756	4,322
Financial income	87	27
Financial expense	(36)	(61)
Income before income taxes	3,807	4,288
Income taxes	(1,215)	(1,368)
Net income	2,592	2,920
Net income attributable to:		
Owners of the parent	2,585	2,918
Non-controlling interests	7	2
Net income	2,592	2,920
Interim earnings per share		
Basic (Yen)	56.06	63.49
Diluted (Yen)	55.95	63.44

(3) Consolidated Statements of Comprehensive Income (Unaudited)

	(Millions of yen)	
	Six Months ended August 31,	
	2022	2023
Net income	2,592	2,920
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	13	11
Other comprehensive income after taxes	13	11
Total comprehensive income	2,605	2,931
Total comprehensive income attributable to:		
Owners of the parent	2,592	2,926
Non-controlling interests	13	5
Total comprehensive income	2,605	2,931

2. Consolidated Financial Statements (continued)

(4) Consolidated Statements of Changes in Equity (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of March 1, 2022	639	13,099	23,870	(53)	4	37,559	56	37,615
Net income			2,585			2,585	7	2,592
Other comprehensive income					7	7	6	13
Total comprehensive income	—	—	2,585	—	7	2,592	13	2,605
Exercise of subscription rights to shares	2	2				4		4
Share-based payment transactions		16				16		16
Dividends			(1,200)			(1,200)		(1,200)
Acquisition of treasury stock		1		(101)		(100)		(100)
Disposal of treasury stock		(47)		47		—		—
Total transactions with owners	2	(28)	(1,200)	(54)	—	(1,280)	—	(1,280)
Balance as of August 31, 2022	641	13,071	25,255	(107)	11	38,871	69	38,940
Balance as of March 1, 2023	651	13,100	26,895	(109)	6	40,543	76	40,619
Net income			2,918			2,918	2	2,920
Other comprehensive income					8	8	3	11
Total comprehensive income	—	—	2,918	—	8	2,926	5	2,931
Exercise of subscription rights to shares	5	3				8		8
Share-based payment transactions		24				24		24
Dividends			(1,200)			(1,200)		(1,200)
Acquisition of treasury stock		7		(1,007)		(1,000)		(1,000)
Disposal of treasury stock		(47)		47		—		—
Acquisition of Non-controlling interests		(79)				(79)	(81)	(160)
Total transactions with owners	5	(92)	(1,200)	(960)	—	(2,247)	(81)	(2,328)
Balance as of August 31, 2023	656	13,008	28,613	(1,069)	14	41,222	—	41,222

2. Consolidated Financial Statements (continued)

(5) Consolidated Statements of Cash Flows (Unaudited)

	(Millions of yen)	
	Six Months ended August 31,	
	2022	2023
Cash flows from operating activities		
Income before income taxes	3,807	4,288
Depreciation and amortization	798	796
Financial income	(87)	(27)
Financial expense	36	61
Decrease (increase) in trade and other receivables	(155)	625
Decrease (increase) in guarantee deposits and construction assistance fund receivables	(58)	(37)
Increase (decrease) in trade payables	335	240
Increase (decrease) in guarantee deposits received and construction assistance fund received	123	48
Increase (decrease) in other financial liabilities	1,194	529
Others	(150)	(33)
Subtotal	5,843	6,490
Interest received	0	1
Interest paid	(49)	(22)
Income taxes paid	(1,415)	(1,143)
Income taxes refund	232	487
Net cash provided by operating activities	4,611	5,813
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,500)	(800)
Purchase of property, plant and equipment	(400)	(396)
Purchase of intangible assets	(96)	(56)
Purchase of investment securities	—	(38)
Others	(38)	(4)
Net cash provided by (used in) investing activities	(2,034)	(1,294)
Cash flows from financing activities		
Repayment of borrowings	(1,152)	(978)
Repayments of lease liabilities	(1,788)	(1,835)
Proceeds from issuance of shares	4	10
Purchase of treasury stock	(100)	(1,000)
Cash dividends paid to owners of the parent	(1,198)	(1,199)
Purchase of shares of subsidiaries not resulting in change in the scope of consolidation	—	(160)
Net cash used in financing activities	(4,234)	(5,162)
Effect of exchange rate changes on cash and cash equivalents	57	6
Net increase (decrease) in cash and cash equivalents	(1,600)	(637)
Cash and cash equivalents at beginning of period	6,205	6,681
Cash and cash equivalents at end of period	4,605	6,044

2. Consolidated Financial Statements (continued)

(6) Notes to Consolidated Financial Statements (Unaudited)

Notes on Assumption of Going Concern

None

Segment Information

As the Company only has a single segment consisting of the cafe business, the description of segment information is omitted.

Changes in Accounting Policies

The material accounting policies adopted for the consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended February 28, 2023, except for the following item.

Income taxes for the six months ended August 31, 2023 are calculated based on the estimated average annual effective tax rate.

(IAS 12 "Income Taxes")

The Company has applied the standard "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (an amendment of IAS 12 "Income Taxes") effective for the fiscal year ending February 29, 2024. The adoption of this standard does not have a material impact on the consolidated financial statements of the Company.

Earnings per Share

	Six Months ended August 31, 2022	Six Months ended August 31, 2023
Net income attributable to owners of the parent (millions of yen)	2,585	2,918
Weighted average number of ordinary shares (shares)	46,116,742	45,965,030
Number of ordinary shares with dilutive effects Increase due to stock options (shares)	89,879	33,751
Weighted average number of ordinary shares after dilution (shares)	46,206,621	45,998,781
Basic earnings per share (yen)	56.06	63.49
Diluted earnings per share (yen)	55.95	63.44

Significant Subsequent Events

None