# Consolidated Financial Results
# for the Fiscal Year Ended March 31, 2023
# [Japanese GAAP]

May 15, 2023

Company name: KEY COFFEE INC
Stock exchange listing: Tokyo Stock Exchange
Code number: 2594
URL: https://www.keycoffee.co.jp/
Representative: Yutaka Shibata, Representative Director and President
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Scheduled date of general shareholders' meeting: June 22, 2023
Scheduled date of commencing dividend payments: June 23, 2023
Scheduled date of filing securities report: June 23, 2023
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, 2023 (April 1, 2022 - March 31, 2023)**

(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, 2023 | 63,298 | 13.7 | 244 | (39.6) | 349 | (65.8) | 173 | (76.7) |
| March 31, 2022 | 55,680 | 5.9 | 405 | – | 1,022 | – | 742 | – |

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥274 million [(66.6)%]
Fiscal year ended March 31, 2022: ¥822 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, 2023 | 8.08 | – | 0.6 | 0.7 | 0.4 |
| March 31, 2022 | 34.69 | – | 2.5 | 2.3 | 0.7 |

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2023: ¥(82) million
Fiscal year ended March 31, 2022: ¥108 million

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2023 | 51,768 | 30,530 | 58.4 | 1,412.75 |
| As of March 31, 2022 | 43,429 | 30,481 | 69.5 | 1,410.70 |

(Reference) Equity: As of March 31, 2023: ¥30,250 million
As of March 31, 2022: ¥30,204 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, 2023 | (3,095) | (973) | 2,757 | 4,120 |
| March 31, 2022 | 861 | (727) | (466) | 5,443 |

## 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, 2022 | – | 5.00 | – | 5.00 | 10.00 | 216 | 28.8 | 0.7 |
| Fiscal year ended March 31, 2023 | – | 5.00 | – | 5.00 | 10.00 | 216 | 123.7 | 0.7 |
| Fiscal year ending March 31, 2024 (Forecast) | – | 5.00 | – | 5.00 | 10.00 | | 42.8 | |

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Profit per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 75,000 | 18.5 | 700 | 186.0 | 700 | 100.4 | 500 | 188.9 | 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: None
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, 2023: 22,689,000 shares
March 31, 2022: 22,689,000 shares

2) Total number of treasury shares at the end of the year:
March 31, 2023: 1,276,656 shares
March 31, 2022: 1,277,756 shares

3) Average number of shares during the year:
Year ended March 31, 2023: 21,412,344 shares
Year ended March 31, 2022: 21,410,294 shares

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (267,400 shares on March 31, 2023, 268,500 shares on March 31, 2022) 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 (267,400 shares on March 31, 2023, 269,450 shares on March 31, 2022) 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, 2023 (April 1, 2021 - March 31, 2023)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Net profit | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| March 31, 2023 | 56,276 | 14.7 | 337 | (36.3) | 268 | (21.8) | 175 | (13.1) |
| March 31, 2022 | 49,063 | 6.1 | 529 | – | 343 | – | 202 | – |

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Fiscal year ended | Yen | Yen |
| March 31, 2023 | 8.20 | – |
| March 31, 2022 | 9.44 | – |

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, 2023 | 48,757 | 28,754 | 59.0 | 1,342.90 |
| As of March 31, 2022 | 40,529 | 28,711 | 70.8 | 1,340.96 |

(Reference) Equity: As of March 31, 2023: ¥28,754 million
As of March 31, 2022: ¥28,711 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.

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## 1. Overview of Operating Results, etc.

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

During the consolidated fiscal year under review (April 1, 2022 to March 31, 2023), the Japanese economy showed indications of a gradual recovery due to the substantial easing of various restrictions amid the transition to coexist with the COVID-19 infection and the government's economic measures. However, the outlook remained uncertain due to soaring energy and raw material prices, continued price hikes caused by the weak yen, and concerns about an economic slowdown in Europe and the United States.

In the coffee market, consumption in the HORECA market increased year on year due to the easing of restrictions on activities imposed due to COVID-19. Meanwhile, consumption in the Household market slightly declined due to slackening stay-at-home consumption, as well as increases in retail prices by manufacturers.

In addition, although the coffee market price, which heavily influences KEY COFFEE’s financial results, had been at a high level since the previous fiscal year, it settled due to a drop in the green beans market price and a reversal of the exchange rate, caused by factors such as receding concern about a decrease in production in Brazil, a recovery of certified inventories in the coffee futures market, and concern about weak demand due to a global economic slowdown. However, the business environment remained severe due to the ongoing depreciation of the yen, rising resource and energy prices, and high coffee production costs, including higher material costs.

Under these circumstances, the KEY COFFEE Group established the three pillars of “reforming the business structure,” “strengthening profitability,” and “reinforcing the comprehensive strengths of the Group,” based on our long-held “quality-first principle,” and engaged in the creation of new demand, developed products which meet the needs of consumers, and promoted solution-oriented business activities that contribute to the financial results of clients, in order to fulfill our corporate philosophy, to “pursue the ultimate in coffee, focus on our customers, and create a coffee culture which enriches the heart.”

With respect to “reforming the business structure,” the Group took steps to improve the efficiency and sophistication of sales activities and administrative operations through the promotion of digitalization, the introduction of robotics in manufacturing lines, and the renewal of our core system and production management system.

Regarding “strengthening profitability,” we increased sales volume, improved plant yields, reviewed manufacturing bases for mainstay products, reduced costs by reviewing distribution bases and operations, and revised prices of products delivered to clients and our shipping prices in response to rising prices of raw materials and materials.

With respect to “reinforcing the comprehensive strengths of the Group,” we have been working to expand D2C business, strengthen business management of overseas subsidiaries, establish a new plant in Indonesia, and enhance branding activities.

In addition, we have established “Coffee and KISSA as a Sustainable Company” as our new message for 2030 with the aim of keeping the coffee culture alive and realizing sustainable coffee production. As part of this, we promoted sustainability activities by establishing a new specialized department, “Future of Coffee Department,” which engages in a wide range of activities, including collaboration with coffee-producing countries and the development of new coffee varieties.

As a result of these efforts, sales in the mainstay coffee-related businesses and other businesses continued to increase from the previous fiscal year, and overall sales recovered to almost the same level as that before the COVID-19 disaster, but operating profit declined due to factors such as a higher cost of sales ratio and increased sales promotion costs.

Consequently, net sales for the KEY COFFEE Group in the consolidated fiscal year under review were 63,298 million yen (a 13.7% increase compared with the previous consolidated fiscal year), operating profit was 244 million yen (a 39.6% decrease compared with the previous consolidated fiscal year), and ordinary profit was 349 million yen (a 65.8% decrease compared with the previous consolidated fiscal year). Profit attributable to owners of parent was 173 million yen (a 76.7% decrease compared with the previous consolidated fiscal year).

<Consolidated Operating Results>

(Unit: Millions of yen)

| | Previous consolidated fiscal year | Consolidated fiscal year under review | Year-on-year increase (decrease) | Year-on-year percent increase (decrease) |
|---|---|---|---|---|
| Net sales | 55,680 | 63,298 | 7,617 | 13.7% |
| Operating profit | 405 | 244 | (160) | (39.6)% |
| Ordinary profit | 1,022 | 349 | (672) | (65.8)% |
| Profit attributable to owners of parent | 742 | 173 | (569) | (76.7)% |

An overview of segment operations is provided below.

(Unit: Millions of yen)

| Business segment | Net sales | | | Operating profit (loss) | | |
|---|---|---|---|---|---|---|
| | Consolidated fiscal year under review | Year-on-year increase (decrease) | Year-on-year percent increase (decrease) | Consolidated fiscal year under review | Year-on-year increase (decrease) | Year-on-year percent increase (decrease) |
| Coffee-related businesses | 55,604 | 7,129 | 14.7% | 882 | (142) | (13.9)% |
| Restaurant-related businesses | 3,875 | 352 | 10.0% | (219) | 107 | — |
| Other | 3,818 | 135 | 3.7% | 134 | (53) | (28.4)% |
| Adjustment | — | — | — | (552) | (72) | — |
| Total | 63,298 | 7,617 | 13.7% | 244 | (160) | (39.6)% |

(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, we worked to strengthen customer management through the introduction of digital tools and to automate order receipt through the use of the Internet. We also promoted sales of highly differentiated coffees such as TOARCO TORAJA and HYO ON Aging Liquid Coffee and worked to expand sales by strengthening food items for HORECA market we handle, in addition to having launched a website introducing our products and services to restaurant operators and those planning to open restaurants.

As measures to revitalize our clients, we promoted a monthly planning proposal offering superior quality coffees from throughout the world and held coffee seminars targeting our clients, and as part of our seasonal sales promotion planning, we held a “Curry Fair” offering a range of recommended curries from our restaurants.

In addition, the Company opened five new “KEY’S CAFE” (Shop Opening Service), our model cafe that can be opened in various location environments that we work on to offer aid in opening a cafe, but closed six cafes, bringing the number of introduced cafes to 72.

We also proceeded with the revision of prices of roasted coffee bean products delivered to our clients, from October, as in the previous fiscal year, as well as revising the prices of products for HORECA market as appropriate, based on the rise in the cost of procuring green beans and the purchase price of such commercial products.

Sales grew significantly compared to the same period of the previous fiscal year, due to the increased sales volume of coffee and commercial food items to our clients, partly as a result of the widespread easing of restrictions on activities and the increase in the number of people entering Japan from overseas.

In the Household market, we made efforts to strengthen our ability to present to customers and share information through the introduction of digital tools, and to strengthen sales by customer group and channel.

In product development, we launched new products such as “GRAND TASTE Mocha Blend” and “DRIP ON and Instant Coffee (Seasonal Limited Edition [autumn-winter])” that reflect the opinions of coffee fans. As an expansion of our brands under “KYOTO INODA COFFEE,” a long-established coffee shop in Kyoto with which we have a business alliance agreement, we introduced new products in a range of formats including DRIP ON, LIVE PACK (Whole Bean), and Liquid Coffee.

For gift items, we have lined up a total of 27 items for the mid-year gift season, including DRIP ON series as well as popular beverage gifts such as “HYO-ON Aging Liquid Coffee Gift,” and a total of 20 items for the year-end gift season, including “AROMA FLASH” Canned regular coffee assorted gift series (TBR), to suit a variety of drinking occasions.

We also implemented the revision of our shipping prices of roasted coffee bean products and coffee-related products delivered to our clients from October, as in the previous fiscal year.

The revision to our shipping prices resulted in sales at a similar level as in the same period of the previous fiscal year, but the sales volume declined.

In the ingredient market, sales increased compared to the same period of the previous fiscal year due to an increase in sales volume to clients.

Operating profit in the coffee-related businesses decreased from the previous fiscal year due to an increase in sales cost ratio, sales promotion costs, and the incurrence of core system construction costs, despite a significant increase in sales mainly in the HORECA market.

Consequently, in the consolidated fiscal year under review, net sales for our coffee-related businesses were 55,604 million yen (a 14.7% increase compared with the previous consolidated fiscal year), and operating profit was 882 million yen (a 13.9% decrease compared with the previous consolidated fiscal year).

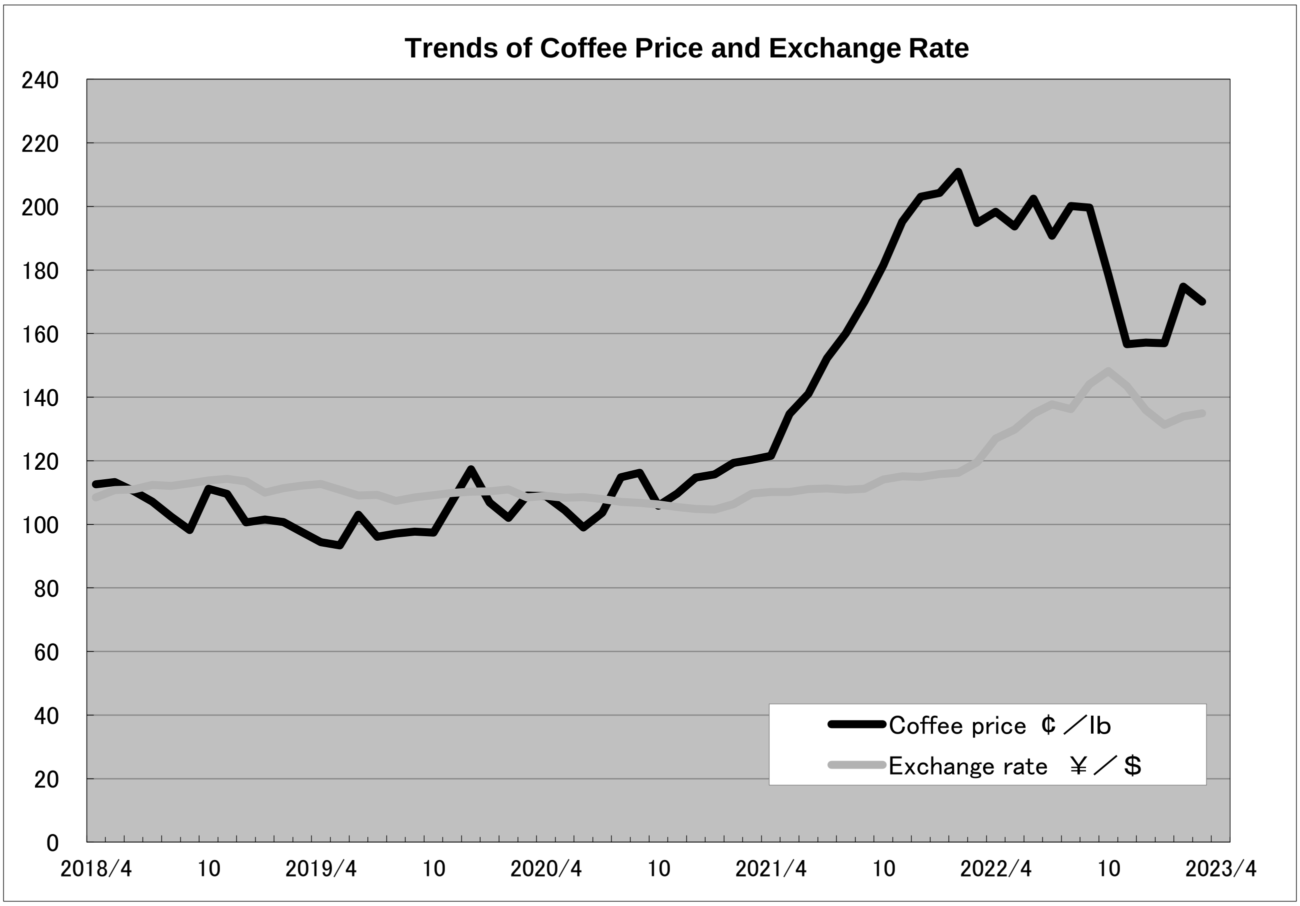
(Restaurant-related businesses)
Italian Tomato Co., Ltd., in terms of sales, carried out such measures as strengthening the product appeal of our time-of-day menus, introducing monthly limited edition menu items, and responding to demand for takeout, among others. Net sales exceeded the results for the same period of the previous fiscal year due to factors such as an increase in the flow of people as a result of eased restrictions on activities, and a gradual rise in the number of customers visiting our stores as a result of fewer stores refraining from operating compared with the previous fiscal year. In terms of expenses, we worked to improve productivity and reduce waste loss in addition to assigning personnel and ordering and managing foodstuffs in response to changes in sales conditions, and thus promoted optimization of labor and raw material costs. Additionally, we were able to make improvements through price revision for all menu items in line with increased purchase price of raw materials and utility costs, etc. and continued introduction of high value-added menus. However, we recorded an operating loss, as the number of customers visiting our stores did not return to the level seen before we were affected by COVID 19 despite such efforts. The number of the company's stores decreased by 8 compared to the previous consolidated fiscal year to 149 (51 directly managed stores and 98 franchise stores).

Consequently, in the consolidated fiscal year under review, net sales in the food and beverage related business were 3,875 million yen (a 10% increase compared with the previous consolidated fiscal year), and operating loss was 219 million yen (operating loss was 326 million yen in the previous consolidated fiscal year). As non-operating income, 60 million yen was recorded, mainly in subsidy income from various municipalities related to reduced operating hours.

(Other)
Honu KATO COFFEE Inc., which operates an e-commerce business, achieved a slight increase in sales compared to the previous fiscal year, as a result of the introduction of high-value-added products and sales price hikes. In terms of profit, we strived to secure appropriate profits by tightening sales promotion costs and improving the efficiency of various operations amid such factors as rising green beans procurement prices, transportation costs, and packaging material costs. However, profits declined significantly.

Nic Foods Co., Ltd. reported an increase in sales in all business as order volumes recovered due to increased demand associated with the easing of restrictions on activities related to the COVID-19 disaster. In terms of profits, we returned to profitability with a significant increase in profit compared to the previous fiscal year as a result of sales growth, implementation of price revisions, and efforts to control manufacturing costs and optimize SG&A expenses.

Consequently, in the consolidated fiscal year under review, net sales for other businesses were 3,818 million yen (a 3.7% increase compared with the previous consolidated fiscal year) and operating profit was 134 million yen (a 28.4% decrease compared with the previous consolidated fiscal year).




(Coffee Price: New York Coffee Futures Price)

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

At the end of the consolidated fiscal year under review, assets were 51,768 million yen, an 8,338 million yen increase compared with the end of the previous consolidated fiscal year. Liabilities increased by 8,289 million yen to 21,238 million yen. Net assets increased by 48 million yen to 30,530 million 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 34,503 million yen, an increase of 8,110 million yen from the end of the previous consolidated fiscal year. This was primarily due to increases in accounts receivable – trade (up 2,477 million yen), and in raw materials and supplies (up 5,298 million yen).

(Non-current assets)

At the end of the consolidated fiscal year under review, the balance of non-current assets was 17,264 million yen, an increase of 228 million yen from the end of the previous consolidated fiscal year. Property, plant and equipment decreased by 20 million yen primarily due to a decrease in buildings and structures (down 75 million yen) caused by the progress of depreciation, an increase in machinery, equipment, and vehicles (up 76 million yen), and a decrease in other property, plant and equipment (down 22 million yen). Intangible assets increased by 195 million yen mainly due to an increase in other intangible assets (up 173 million yen). Investments and other assets increased by 53 million yen due primarily to an increase in investment securities (up 45 million yen).

(Current liabilities)

At the end of the consolidated fiscal year under review, the balance of current liabilities was 19,385 million yen, an increase of 8,418 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 5,746 billion yen) and an increase in short-term borrowings (up 3,104 million yen).

(Non-current liabilities)

At the end of the consolidated fiscal year under review, the balance of non-current liabilities was 1,853 million yen, a decrease of 128 million yen from the end of the previous consolidated fiscal year. This was primarily due to a decrease in retirement benefit liability (down 118 million yen).

(Net assets)

At the end of the consolidated fiscal year under review, the balance of net assets was 30,530 million yen, an increase of 48 million yen from the end of the previous consolidated fiscal year. This was primarily due to a decrease in retained earnings (down 43 million yen) and an increase in valuation difference on available-for-sale securities (up 81 million yen).

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

Net cash used in operating activities was 3,095 million yen, mainly due to such factors as profit before income taxes of 308 million yen, an increase in inventories of 6,323 million yen, and an increase in trade payables of 5,744 million yen. (In the previous consolidated fiscal year, net cash provided by operating activities was 861 million yen.)

Net cash used in investing activities was 973 million yen due to such factors as purchase of property, plant and equipment of 774 million yen and purchase of intangible assets of 267 million yen. (In the previous consolidated fiscal year, net cash used in investing activities was 727 million yen.)

Net cash provided by financing activities was 2,757 million yen due to such factors as short-term borrowings of 3,141 million yen, dividends paid of 217 million yen, and repayments of lease liabilities of 119 million yen. (In the previous consolidated fiscal year, net cash used in financing activities was 466 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 4,120 million yen, a decrease of 1,322 million yen from the end of the previous consolidated fiscal year.

(4) Future Outlook

In Japan, the economic situation remains severe due to soaring energy and raw material prices, continued price hikes caused by the weak yen, and concern about an economic slowdown in Europe and the United States, although there are indications of movement toward normalization of economic activities amid the relaxation of various restrictions on activities associated with the COVID-19 infection and the decision to change the classification of the disease.

Although the high level of the coffee market price, which heavily influences KEY COFFEE's financial results, settled down during the fiscal year under review, the volume of certified inventories in the coffee futures market remained low. In addition, material and utilities expenses remain high, and we need to continue paying attention to the rising cost of coffee production.

Under such environment, 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 company that has prospered for two centuries by undertaking further structural reform of its business and continuing to reduce costs by standardizing operations and optimizing inventories, etc.

Regarding the Coffee-related businesses, in the HORECA market we will further promote rationalization and efficiency in our operations in while maintaining our nationwide network of offices and the level of service we provide to our clients. In addition, we will continue our efforts to contribute to clients financial results by developing and proposing products and services that will enable us to connect changes in the market environment to new business opportunities.

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, to expand sales, we will also allocate management resources to regions where we seek to increase our market share and to the growing e-commerce market.

Furthermore, we will focus on D2C business, which provides products directly to consumers, and overseas business, to develop them into new business pillars following the HORECA, Household, and ingredient market.

In restaurant-related businesses, although results exceeded those of the previous fiscal year, sales have not recovered to the level seen before the impact of the COVID-19 infection, and the business environment remains severe. We will strive to recover our financial results by developing stores that adapt to the new environment, utilizing SNS, strengthening delivery efforts, and developing new menus, 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, as well as promoting digitalization.

The KEY COFFEE Group will conduct its business activities based on the recognition that our raison d'etre 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. Looking ahead to the year 2030, in the previous fiscal year we 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 order to achieve sustainable corporate growth and development, we are committed to management that maximizes corporate value by drawing on the abilities and skills of each and every employee.

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, 2024, we forecast net sales of 75.0 billion yen, operating profit of 700 million yen, ordinary profit of 700 million yen, and profit attributable to owners 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, 2024, 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, 2022 | As of March 31, 2023 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,443 | 4,120 |
| Notes receivable - trade | 46 | 47 |
| Accounts receivable - trade | 11,578 | 14,056 |
| Merchandise and finished goods | 2,474 | 3,437 |
| Work in process | 194 | 261 |
| Raw materials and supplies | 5,976 | 11,274 |
| Other | 758 | 1,401 |
| Allowance for doubtful accounts | (79) | (95) |
| Total current assets | 26,393 | 34,503 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 15,883 | 15,922 |
| Accumulated depreciation | (11,783) | (11,898) |
| Buildings and structures, net | 4,099 | 4,024 |
| Machinery, equipment and vehicles | 11,913 | 11,903 |
| Accumulated depreciation | (10,643) | (10,557) |
| Machinery, equipment and vehicles, net | 1,269 | 1,346 |
| Land | 6,570 | 6,570 |
| Other | 3,516 | 3,515 |
| Accumulated depreciation | (2,926) | (2,947) |
| Other, net | 590 | 568 |
| Total property, plant and equipment | 12,530 | 12,509 |
| Intangible assets | | |
| Goodwill | 115 | 137 |
| Other | 539 | 713 |
| Total intangible assets | 655 | 851 |
| Investments and other assets | | |
| Investment securities | 2,716 | 2,761 |
| Long-term loans receivable | 37 | 32 |
| Deferred tax assets | 109 | 108 |
| Retirement benefit asset | 20 | 14 |
| Guarantee deposits | 767 | 761 |
| Other | 364 | 376 |
| Allowance for doubtful accounts | (165) | (151) |
| Total investments and other assets | 3,850 | 3,903 |
| Total non-current assets | 17,036 | 17,264 |
| Total assets | 43,429 | 51,768 |

(Million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,972 | 12,719 |
| Short-term borrowings | 82 | 3,187 |
| Accounts payable - other | 2,185 | 2,093 |
| Income taxes payable | 259 | 113 |
| Provision for bonuses | 321 | 292 |
| Other | 1,145 | 978 |
| Total current liabilities | 10,966 | 19,385 |
| Non-current liabilities | | |
| Deferred tax liabilities | 141 | 156 |
| Deferred tax liabilities for land revaluation | 478 | 478 |
| Provision for share awards | 47 | 66 |
| Other provisions | 3 | 4 |
| Retirement benefit liability | 486 | 368 |
| Asset retirement obligations | 434 | 446 |
| Other | 389 | 332 |
| Total non-current liabilities | 1,981 | 1,853 |
| Total liabilities | 12,948 | 21,238 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,628 | 4,628 |
| Capital surplus | 5,106 | 5,094 |
| Retained earnings | 25,317 | 25,274 |
| Treasury shares | (2,543) | (2,541) |
| Total shareholders' equity | 32,509 | 32,456 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 342 | 424 |
| Revaluation reserve for land | (2,736) | (2,736) |
| Foreign currency translation adjustment | (9) | 0 |
| Remeasurements of defined benefit plans | 98 | 105 |
| Total accumulated other comprehensive income | (2,304) | (2,206) |
| Non-controlling interests | 276 | 279 |
| Total net assets | 30,481 | 30,530 |
| Total liabilities and net assets | 43,429 | 51,768 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Net sales | 55,680 | 63,298 |
| Cost of sales | 41,395 | 49,077 |
| Gross profit | 14,285 | 14,220 |
| Selling, general and administrative expenses | | |
| Advertising and sample expense | 1,226 | 1,307 |
| Packing and transportation costs | 2,271 | 2,218 |
| Vehicle expenses | 414 | 400 |
| Provision of allowance for doubtful accounts | 5 | 16 |
| Remuneration for directors (and other officers) | 262 | 263 |
| Salaries and bonuses | 4,593 | 4,677 |
| Provision for bonuses | 256 | 221 |
| Retirement benefit expenses | 115 | 110 |
| Welfare expenses | 778 | 806 |
| Rent expenses | 950 | 807 |
| Depreciation | 320 | 296 |
| Supplies expenses | 190 | 183 |
| Research and development expenses | 177 | 199 |
| Other | 2,317 | 2,466 |
| Total selling, general and administrative expenses | 13,879 | 13,975 |
| Operating profit | 405 | 244 |
| Non-operating income | | |
| Interest income | 2 | 1 |
| Dividend income | 22 | 24 |
| Share of profit of entities accounted for using equity method | 108 | – |
| Foreign exchange gains | 23 | – |
| Rental income from real estate | 68 | 73 |
| Subsidy income | 369 | 63 |
| Other | 55 | 59 |
| Total non-operating income | 649 | 221 |
| Non-operating expenses | | |
| Interest expenses | 7 | 12 |
| Share of loss of entities accounted for using equity method | – | 82 |
| Rental expenses on real estate | 15 | 15 |
| Loss on cancellation of rental contracts | 4 | – |
| Other | 6 | 6 |
| Total non-operating expenses | 32 | 116 |
| Ordinary profit | 1,022 | 349 |

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Extraordinary income | | |
| Gain on sale of investment securities | 58 | – |
| Total extraordinary income | 58 | – |
| Extraordinary losses | | |
| Impairment losses | 46 | 40 |
| Total extraordinary losses | 46 | 40 |
| Profit before income taxes | 1,033 | 308 |
| Income taxes - current | 221 | 150 |
| Income taxes - deferred | 58 | (15) |
| Total income taxes | 279 | 134 |
| Profit | 753 | 174 |
| Profit attributable to non-controlling interests | 10 | 1 |
| Profit attributable to owners of parent | 742 | 173 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Profit | 753 | 174 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (35) | 82 |
| Foreign currency translation adjustment | 15 | 10 |
| Remeasurements of defined benefit plans, net of tax | 100 | 7 |
| Share of other comprehensive income of entities accounted for using equity method | (11) | (1) |
| Total other comprehensive income | 68 | 100 |
| Comprehensive income | 822 | 274 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 810 | 271 |
| Comprehensive income attributable to non-controlling interests | 12 | 2 |

### (3) Consolidated Statements of Changes in Equity

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 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 | Remeasure-ments 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 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 |

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 4,628 | 5,106 | 25,317 | (2,543) | 32,509 |
| Changes during period | | | | | |
| Dividends of surplus | | | (216) | | (216) |
| Profit (loss) attributable to owners of parent | | | 173 | | 173 |
| Purchase of treasury shares | | | | 2 | 2 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (11) | | | (11) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | (11) | (43) | 2 | (52) |
| Balance at end of period | 4,628 | 5,094 | 25,274 | (2,541) | 32,456 |

| | 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 | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 342 | (2,736) | (9) | 98 | (2,304) | 276 | 30,481 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | | | (216) |
| Profit (loss) attributable to owners of parent | | | | | | | 173 |
| Purchase of treasury shares | | | | | | | 2 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | (11) |
| Net changes in items other than shareholders' equity | 81 | – | 9 | 6 | 98 | 2 | 101 |
| Total changes during period | 81 | – | 9 | 6 | 98 | 2 | 48 |
| Balance at end of period | 424 | (2,736) | 0 | 105 | (2,206) | 279 | 30,530 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 1,033 | 308 |
| Depreciation | 965 | 956 |
| Impairment losses | 46 | 40 |
| Subsidy income | (369) | (63) |
| Loss (gain) on sale of investment securities | (58) | – |
| Increase (decrease) in allowance for doubtful accounts | (31) | 2 |
| Increase (decrease) in provision for bonuses | 20 | (29) |
| Increase (decrease) in provision for share awards | 2 | 19 |
| Increase (decrease) in retirement benefit liability | (147) | (163) |
| Interest and dividend income | (24) | (25) |
| Interest expenses | 7 | 12 |
| Share of loss (profit) of entities accounted for using equity method | (108) | 82 |
| Decrease (increase) in trade receivables | (544) | (2,472) |
| Decrease (increase) in inventories | 102 | (6,323) |
| Decrease (increase) in consumption taxes refund receivable | – | (534) |
| Increase (decrease) in trade payables | 349 | 5,744 |
| Increase (decrease) in accounts payable - other | (636) | (175) |
| Increase (decrease) in accrued consumption taxes | – | (187) |
| Other, net | (15) | (87) |
| Subtotal | 592 | (2,897) |
| Interest and dividends received | 20 | 25 |
| Subsidies received | 369 | 63 |
| Dividends received from entities accounted for using equity method | – | 6 |
| Interest paid | (7) | (12) |
| Payment of cancellation penalty free | (4) | – |
| Income taxes paid | (232) | (282) |
| Income taxes refund | 124 | 0 |
| Net cash provided by (used in) operating activities | 861 | (3,095) |
| Cash flows from investing activities | | |
| Proceeds from sale and redemption of investment securities | 93 | – |
| Purchase of property, plant and equipment | (460) | (774) |
| Proceeds from sale of property, plant and equipment | 14 | 22 |
| Purchase of intangible assets | (469) | (267) |
| Other, net | 95 | 45 |
| Net cash provided by (used in) investing activities | (727) | (973) |

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (9) | 3,141 |
| Repayments of long-term borrowings | (98) | (38) |
| Purchase of treasury shares | − | 2 |
| Dividends paid | (216) | (217) |
| Repayments of lease liabilities | (155) | (119) |
| Other, net | 12 | (11) |
| Net cash provided by (used in) financing activities | (466) | 2,757 |
| Effect of exchange rate change on cash and cash equivalents | 18 | (10) |
| Net increase (decrease) in cash and cash equivalents | (313) | (1,322) |
| Cash and cash equivalents at beginning of period | 5,756 | 5,443 |
| Cash and cash equivalents at end of period | 5,443 | 4,120 |

## (5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(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 profit (loss) by reportable segment
For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

| | Reportable segment | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount recorded in Consolidated Financial Statements (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 profit (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 and administrative expenses that do not belong to reportable segments.
   (2) The adjustment of 2,758 million yen to segment assets includes corporate assets that do not belong to reportable segments of 6,206 million yen; and capital and receivable offsets with inter-segment investments, etc. of negative 3,448 million yen.
   Corporate assets primarily consist of assets relating to administrative divisions.
   (3) The adjustment of negative 2,768 million yen to segment liabilities consists of an inter-segment obligation offset.

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

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

| | Reportable segment | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount recorded in Consolidated Financial Statements (Note 3) |
|---|---|---|---|---|---|---|---|
| | Coffee-related businesses | Restaurant-related businesses | Total | | | | |
| Net sales | | | | | | | |
| Net sales to outside customers | 55,604 | 3,875 | 59,480 | 3,818 | 63,298 | — | 63,298 |
| Inter-segment net sales or transfers | 673 | 11 | 684 | 1,723 | 2,408 | (2,408) | — |
| Total | 56,277 | 3,886 | 60,164 | 5,542 | 65,706 | (2,408) | 63,298 |
| Segment profit (loss) | 882 | (219) | 662 | 134 | 797 | (552) | 244 |
| Segment assets | 43,385 | 1,752 | 45,138 | 5,209 | 50,347 | 1,421 | 51,768 |
| Segment liabilities | 19,879 | 3,119 | 22,999 | 1,169 | 24,168 | (2,930) | 21,238 |
| Other items | | | | | | | |
| Depreciation | 693 | 95 | 789 | 146 | 936 | 20 | 956 |
| Amortization of goodwill | 7 | — | 7 | 9 | 17 | — | 17 |
| Increase in property, plant and equipment and intangible assets | 823 | 219 | 1,042 | 158 | 1,201 | — | 1,201 |

(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 552 million yen to segment profit (loss) includes an elimination of internal transactions of negative 6 million yen, an inventories adjustment of negative 5 million yen, and corporate expenses not allocated to reportable segments of negative 540 million yen. Corporate expenses primarily consist of general and administrative expenses that do not belong to reportable segments.

(2) The adjustment of 1,421 million yen to segment assets includes corporate assets that do not belong to reportable segments of 4,830 million yen; and capital and receivable offsets with inter-segment investments, etc. of negative 3,409 million yen.
Corporate assets primarily consist of assets relating to administrative divisions.

(3) The adjustment of negative 2,930 million yen to segment liabilities consists of an inter-segment obligation offset.

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

(Per share information)

| | Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022) | Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023) |
|---|---|---|
| Net assets per share | ¥1,410.70 | ¥1,412.75 |
| Basic earnings per share | ¥34.69 | ¥8.08 |

(Notes)

1. Diluted earnings 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 shares excluded from the calculation of the average number of shares outstanding during the period used for calculating net assets per share and basic earnings 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 268,500 in the previous fiscal year and 267,400 in the consolidated fiscal year under review.
4. The average number of said treasury shares during the period excluded from the calculation of basic earnings per share was 269,450 in the previous fiscal year and 267,400 in the consolidated fiscal year under review.
5. The basis for the calculation of basic earnings per share is as follows.

| Item | Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022) | Consolidated fiscal year under review (From April 1, 2022 to March 31, 2023) |
|---|---|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent (Million yen) | 742 | 173 |
| Amount not attributable to common shareholders (Million yen) | — | — |
| Profit attributable to owners of parent relating to common shares (Million yen) | 742 | 173 |
| Average number of common shares outstanding during the period (Shares) | 21,410,294 | 21,412,344 |

(Significant subsequent events)

(Capital and business alliance agreement concluded with S. ISHIMITSU & CO., LTD.)

On April 28, 2023, the Company entered into a capital and business alliance agreement with S. ISHIMITSU & CO., LTD.

1. Background and purpose of the capital and business alliance

(1) Background of the capital and business alliance

Based on our "quality-first principle," the Company has adopted the corporate philosophy, to "Pursue the ultimate in coffee. Focus on our customers. And create a coffee culture which enriches the heart." We are striving to enhance our corporate value under our mission to always create great tasting coffee and continue to fill people's hearts.

On the other hand, S. ISHIMITSU & CO., LTD. contributes to "food happiness" in Japan and around the world through its coffee beverage business, food products business, and overseas business based on its management philosophy of "Think Together, Work Together, Prosper Together.”

Through this capital and business alliance, the two companies will work toward the realization of these philosophies by making greater use of their respective areas of expertise and management resources than ever, with the aim of enhancing corporate value and achieving sustainable growth over the medium to long term.

(2) Purpose of the capital and business alliance

The two companies have long had a good cooperative relationship, and KEY COFFEE has been doing business with S. ISHIMITSU & CO., LTD and its consolidated subsidiaries, KANSAI ALLIED COFFEE ROASTERS, CO. LTD. and TOKYO ALLIED COFFEE ROASTERS CO., LTD. in procuring green beans and roasting some coffee.

The capital and business alliance has been concluded to further strengthen this cooperative relationship, to utilize management resources, including personnel exchange, to further enhance synergies in green beans procurement, rationalization of the roasting business, and food import operations, and to promote the sharing of technologies to become carbon neutral in the long term.

2. Details of the capital and business alliance

(1) Details of the business alliance

The two companies will complement each other's organizations and functions related to such factors as the manufacture of roasted coffee bean products and other products, procurement and purchasing of raw materials, product sales, logistics, R&D, and quality control, in addition to solving social issues, such as the global environment and human rights in the supply chain, strengthen competitiveness in terms of both quality and cost, and build a mutually beneficial relationship, including a capital relationship, by coordinating their management resources and collaborating with each other.

(2) Details of shares to be newly acquired

The Company will acquire additional shares of TOKYO ALLIED COFFEE ROASTERS CO., LTD as follows:

| | | |
|---|---|---|
| (i) | Number of shares held before acquisition | 18,600 (shareholding ratio 3.04%) |
| (ii) | Number of shares acquired through allotment of treasury share | 56,200 common shares |
| (iii) | Number of shares held after acquisition | 74,800 (shareholding ratio 15.00%) * Excluding TOKYO ALLIED COFFEE ROASTERS CO., LTD’s 113,400 shares of treasury share |
| (iv) | Acquisition price | Undisclosed, based on discussions with TOKYO ALLIED COFFEE ROASTERS CO., LTD |
| (v) | Scheduled acquisition date | May 19, 2023 |

The Company already owns 3.04% of the shares of TOKYO ALLIED COFFEE ROASTERS CO., LTD and 15.00% of the shares of KANSAI ALLIED COFFEE ROASTERS CO., LTD, which are consolidated subsidiaries of S. ISHIMITSU & CO., LTD.

TOKYO ALLIED COFFEE ROASTERS., LTD. and KANSAI ALLIED COFFEE ROASTERS., LTD. will become affiliates of the KEY COFFEE Group and will be accounted for by the equity method from the first quarter of the fiscal year ending March 31, 2024.