

Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



October 28, 2024

Company name: KEY COFFEE INC
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2594
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 Scheduled date of filing semi-annual securities report: November 11, 2024
 Scheduled date of commencing dividend payments: November 22, 2024
 Availability of supplementary explanatory materials on financial results: Not available
 Schedule of 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 Six Months Ended September 30, 2024 (April 1, 2024 - September 30, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2024	38,735	3.3	550	(47.2)	617	(44.9)	363	(53.8)
September 30, 2023	37,480	23.7	1,041	102.5	1,121	80.0	786	71.8

(Note) Comprehensive income: Six months ended September 30, 2024: ¥315 million [(67.0)%]
 Six months ended September 30, 2023: ¥956 million [69.9%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended				
September 30, 2024	16.98		-	
September 30, 2023	36.72		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
September 30, 2024	58,522	31,177	52.7
March 31, 2024	54,832	30,971	55.9

(Reference) Equity: As of September 30, 2024: ¥30,853 million
 As of March 31, 2024: ¥30,671 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen				
Fiscal year ended March 31, 2024	-	7.00	-	5.00	12.00
Fiscal year ending March 31, 2025	-	6.00			
Fiscal year ending March 31, 2025 (Forecast)			-	6.00	12.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% 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	74,000	0.3	500	(34.6)	700	(19.3)	500	177.2	23.35

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period under review: None

Newly included: – (Company name: –)

Excluded: – (Company name: –)

(2) Accounting methods adopted particularly for the preparation of semi-annual consolidated financial statements: None

(3) 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

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 22,689,000 shares

March 31, 2024: 22,689,000 shares

2) Total number of treasury shares at the end of the period:

September 30, 2024: 1,275,922 shares

March 31, 2024: 1,275,856 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 21,413,111 shares

Six months ended September 30, 2023: 21,413,144 shares

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (266,600 shares on September 30, 2024, 266,600 shares on March 31, 2024) held by Custody Bank of Japan, Ltd. (Trust Account E). In addition, shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) are included in treasury shares that are subtracted in calculating the average number of shares outstanding during the period (266,600 shares on September 30, 2024, 266,600 shares on September 30, 2023).

* These semi-annual consolidated financial results are outside the scope of review 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 “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 5 of the attached document.

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1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

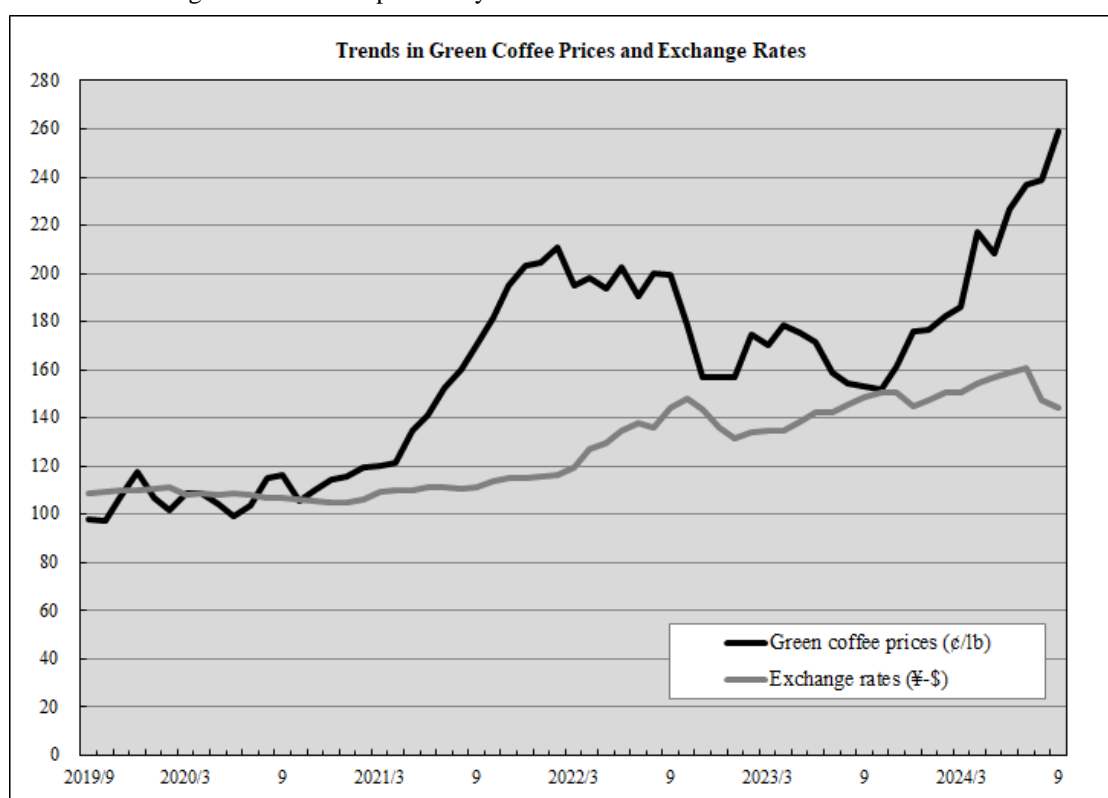
<Consolidated Operating Results>

(Unit: Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Year-on-year increase (decrease)	Year-on-year percent increase (decrease)
Net sales	37,480	38,735	1,255	3.3%
Operating profit	1,041	550	(491)	(47.2%)
Ordinary profit	1,121	617	(503)	(44.9%)
Profit attributable to owners of parent	786	363	(422)	(53.8%)

During the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024), the Japanese economy continued a gradual recovery, showing signs of consumer spending picking up. Amid improvements in the employment and income environment, this trend is expected to continue further, partly driven by the effects of policies implemented by the government and the Bank of Japan. However, there are high level of uncertainties surrounding the economy and prices, including developments in overseas economic and price situations as well as in the international financial capital market and resource prices, suggesting the need to pay close attention to trends in the financial and foreign exchange markets.

In the coffee industry, both imports and consumption of green beans grew in Japan from the same period of the previous fiscal year. Green bean prices, which have a significant impact on our financial results, have soared with the ICO Composite Indicator Price announced by the International Coffee Organization (ICO) above 200 US cents/lb since April 2024. After that, the price consistently increased over a short timeframe and remains high, exceeding 250 US cents recently. In the foreign exchange market, the depreciation of the yen continues as the yen has fallen against the dollar beyond the 150 yen mark since April 2024, even temporarily hitting the 160 yen level. The yen got stronger against the dollar after July, but the rate has been still above the 140 yen level. These two factors drove the prices of green beans to the highest level in the past five years.



(Green Coffee Price: ICO Composite Indicator Price)

Under these circumstances, the Company 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 improving 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.”

The Company has been engaged in business activities to keep the coffee culture alive and realize sustainable coffee cultivation in accordance with its vision for 2030, “Coffee and KISSA as a Sustainable Company.” The Company’s Chubu Factory, located in Kasugai City, Aichi Prefecture, has converted the source of electricity it consumes entirely to renewable energy by implementing measures such as installing solar panels. “Future of Coffee Department,” which was established in 2022 under the direct control of the President with the aim of realizing sustainable coffee production, has been strengthening industry-academia-government collaboration. In May 2024, the Company’s Representative Director and President became the first Asian board member of the World Coffee Research (WCR), an international research organization for coffee, and has been working to enhance support for producers to resolve the so-called 2050 problem for coffee. The Company has been issuing sustainability reports since 2023. KEY COFFEE Sustainability Report 2024, published in September 2024, introduces the Company’s policy and initiatives concerning sustainability for the realization of a sustainable society. Having celebrated the 100th anniversary of its founding in August 2020, the Company has already started advancing down the path toward an enterprise that has prospered for two centuries.

Net sales of the KEY COFFEE Group for the six months ended September 30, 2024, were 38,735 million yen (a 3.3% increase compared with the same period of the previous fiscal year), operating profit was 550 million yen (a 47.2% decrease compared with the same period of the previous fiscal year), ordinary profit was 617 million yen (a 44.9% decrease compared with the same period of the previous fiscal year), and profit attributable to owners of parent was 363 million yen (a 53.8% decrease compared with the same period of the previous fiscal year).

<Operating Results by Segment>

(Unit: Millions of yen)

Business segment	Net sales				Operating profit			
	Six months ended September 30, 2023	Six months ended September 30, 2024	Year-on-year increase (decrease)	Year-on-year percent increase (decrease)	Six months ended September 30, 2023	Six months ended September 30, 2024	Year-on-year increase (decrease)	Year-on-year percent increase (decrease)
Coffee-related businesses	33,209	34,631	1,422	4.3%	1,095	571	(524)	(47.8%)
Restaurant-related businesses	2,104	2,063	(41)	(2.0%)	(15)	3	19	–
Other	2,166	2,040	(125)	(5.8%)	243	271	27	11.4%
Adjustment	–	–	–	–	(282)	(296)	(14)	–
Total	37,480	38,735	1,255	3.3%	1,041	550	(491)	(47.2%)

(Coffee-related businesses)

The coffee-related businesses consist of the HORECA market, the Household market, and the ingredient market.

In the HORECA market, we sell products mainly to coffee shops, hotels, restaurants, and other food service establishments, proposing wide-ranging products, including coffee as our mainstay product, as well as food items and drinks, according to the needs of clients.

Regarding product sales, we continued to promote sales of high value-added coffee products, such as TOARCO TORAJA, HYO-ON Aging Coffee, and coffee produced in certified plantations. We also worked to expand the marketing channels for the SHOTT flavored coffee syrups, which are produced in New Zealand from natural ingredients and have made their debut in the Japanese market, and for Lipton tea products. In addition, we held coffee seminars for clients in many locations across Japan with a view to strengthening business relations with them.

In September 2024, we also hosted an exhibition to propose our HORECA market commercial products as a way for our clients to invigorate their stores. For some of the products for the HORECA market, we have adopted environmentally conscious product packaging partially made from used jute coffee bags, which would otherwise have been discarded. This was the first attempt of this kind in the world and demonstrates our commitment to environmental initiatives, including reducing plastic consumption. Two cafes were closed, under “KEY’S CAFÉ” (Shop Opening Service), our model cafe package service that supports cafe openings in various location environments. The number of KEY’S CAFÉ cafes became 66. The Company sequentially revised delivery prices of HORECA market products for clients in order to account for various cost increases including the sharp rise of the purchase price of green beans and facility investments related to environmental measures.

In the Household market, we sell coffee, tea, and other consumer packaged goods to food wholesalers, retailers, etc.

Regarding product sales, we released “GRAND TASTE Iced Coffee (FP)” from the GRAND TASTE brand, which consists of regular coffee that is rich in aroma and suited for casual enjoyment. We also renewed two “KEY DOORS+ Liquid Coffee Tetra Prisma” items and “KEY DOORS+ KOUMI-MAROYAKA Cold Brew Coffee Pack,” which are both from the “KEY DOORS+” household coffee brand launched in the autumn of 2023. Our new flavor coffee brand “GRAND TASTE Mild Blend” was released in two formats in September 2024. In order to expand the product lineup of “KEY DOORS+,” which will mark the first anniversary from the launch of the brand, “KEY DOORS+Special Blend FLEXIBLE PACK and Mocha Blend FLEXIBLE PACK” were released. We have changed some of the packaging materials of “KEY DOORS+ FLEXIBLE PACK” from plastic to paper in consideration of the environment. “KEY DOORS+ DRIP ON Low Caffeine Mild Blend,” with a product concept of “Easy and tasty caffeine management,” was also released. For gift items, we have released a lineup of 27 items in total for the mid-year gift season, with an emphasis on summer-only gift items, including the “Liquid Coffee, 100% Juice & Soft Drinks” gift, which can be enjoyed by families, and “HYO-ON Aging Liquid Coffee” gift,” which offers coffee with a mild taste produced through aging in ice storage. Our shipping prices for consumer packaged goods were revised in August.

In the ingredient market, we sell coffee for use as an ingredient mainly to beverage manufacturers. The sales price is contracted based on the international market price for green coffee beans.

In the coffee-related businesses, sales increased but profit declined compared with the same period of the previous fiscal year. This is because the cost of sales increased despite increased net sales and our efforts to restrain selling, general and administrative expenses.

Consequently, in the six months ended September 30, 2024, net sales for our coffee-related businesses were 34,973 million yen (a 4.2% increase compared with the same period of the previous fiscal year), and operating profit was 571 million yen (a 47.8% decrease compared with the same period of the previous fiscal year).

(Restaurant-related businesses)

The restaurant-related businesses are operated by our consolidated subsidiaries.

Italian Tomato Co., Ltd. secured operating profit as a result of serving new seasonal menu items made from seasonal ingredients every month, continuing commitment to shop operation improvement and reduction in food waste and loss, and working to attract more customers through efforts such as opening temporary shops for events. The number of the company’s shops stood at 137 (49 directly managed shops and 88 franchise shops).

Consequently, in the six months ended September 30, 2024, net sales for the restaurant-related businesses, also including consolidated subsidiaries other than those mentioned above, were 2,081 million yen (a 1.4% decrease compared with the same period of the previous fiscal year), and operating profit was 3 million yen (the operating loss was 15 million yen in the same period of the previous fiscal year).

(Other)

The Other section consists of business segments not included in the coffee-related businesses or the restaurant-related businesses and includes beverage product manufacturing business and e-commerce business operated by our consolidated subsidiaries.

Nic Foods Co., Ltd., which is engaged in the beverage product manufacturing business, implemented measures to increase productivity, such as automating the packaging process at its factory and eliminating day/night shift work, to fulfill its management policy of “Sustainable Revenue Generation.” Sales increased compared with the same period of the previous fiscal year as a result of efforts to secure the workforce through diversity promotion, such as hiring foreign employees.

At honu KATO COFFEE Inc., which operates an e-commerce business, profit increased compared with the same period of the previous fiscal year as a result of efforts to secure profit, including raising sales prices, reducing sales promotion costs, and reviewing packaging, amid a significant rise in raw materials prices, logistics and other costs, a trend continuing from the previous fiscal year.

Consequently, in the six months ended September 30, 2024, net sales for other businesses, also including consolidated subsidiaries other than those mentioned above, were 3,088 million yen (a 2.6% decrease compared with the same period of the previous fiscal year), and operating profit was 271 million yen (an 11.4% increase compared with the same period of the previous fiscal year).

(2) Explanation of Financial Position

<Consolidated Financial Position>

(Unit: Millions of yen)

	As of March 31, 2024	As of September 30, 2024	Increase (decrease)
Current assets	36,473	40,184	3,710
Non-current assets	18,359	18,338	(20)
Total assets	54,832	58,522	3,689
Current liabilities	21,968	25,335	3,366
Non-current liabilities	1,892	2,008	116
Total liabilities	23,861	27,344	3,483
Net assets	30,971	31,177	206
Total liabilities and net assets	54,832	58,522	3,689

(Assets)

Assets increased by 3,689 million yen from the end of the previous consolidated fiscal year to 58,522 million yen.

Current assets increased by 3,710 million yen to 40,184 million yen. This was primarily due to increases in notes and accounts receivable - trade (up 1,568 million yen), merchandise and finished goods (up 730 million yen), and raw materials and supplies (up 847 million yen).

Non-current assets decreased by 20 million yen to 18,338 million yen. Property, plant and equipment decreased by 110 million yen, while intangible assets increased by 77 million yen and investments and other assets increased by 12 million yen.

(Liabilities)

Liabilities increased by 3,483 million yen from the end of the previous consolidated fiscal year to 27,344 million yen.

Current liabilities increased by 3,366 million yen to 25,335 million yen. This was primarily due to increases in notes and accounts payable - trade (up 1,461 million yen) and short-term borrowings (up 2,874 million yen) and a decrease in accounts payable - other (down 474 million yen).

Non-current liabilities increased by 116 million yen to 2,008 million yen.

(Net assets)

Net assets increased by 206 million yen from the end of the previous consolidated fiscal year to 31,177 million yen. This was primarily due to an increase in retained earnings (up 255 million yen).

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

At this time, there are no changes with regard to the financial results forecast for the fiscal year ending March 31, 2025, which was announced on May 13, 2024.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

	(Unit: Millions of yen)	
	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	4,667	4,952
Notes and accounts receivable - trade	15,694	17,263
Merchandise and finished goods	3,204	3,934
Work in process	265	356
Raw materials and supplies	11,942	12,790
Other	800	996
Allowance for doubtful accounts	(102)	(109)
Total current assets	36,473	40,184
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,893	3,869
Machinery, equipment and vehicles, net	1,691	1,544
Land	6,428	6,428
Other, net	584	645
Total property, plant and equipment	12,597	12,487
Intangible assets		
Goodwill	119	110
Other	490	576
Total intangible assets	609	686
Investments and other assets		
Investment securities	3,843	3,824
Long-term loans receivable	28	25
Deferred tax assets	91	97
Guarantee deposits	740	719
Other	585	632
Allowance for doubtful accounts	(137)	(134)
Total investments and other assets	5,151	5,163
Total non-current assets	18,359	18,338
Total assets	54,832	58,522

(Unit: Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,323	13,785
Short-term borrowings	5,343	8,218
Accounts payable - other	2,266	1,792
Income taxes payable	211	207
Provision for bonuses	412	318
Other	1,410	1,013
Total current liabilities	21,968	25,335
Non-current liabilities		
Deferred tax liabilities	416	456
Deferred tax liabilities for land revaluation	478	478
Provision for share awards	86	98
Other provisions	4	6
Retirement benefit liability	176	184
Asset retirement obligations	417	408
Other	311	375
Total non-current liabilities	1,892	2,008
Total liabilities	23,861	27,344
Net assets		
Shareholders' equity		
Share capital	4,628	4,628
Capital surplus	5,071	5,071
Retained earnings	25,194	25,449
Treasury shares	(2,539)	(2,539)
Total shareholders' equity	32,355	32,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	753	721
Revaluation reserve for land	(2,736)	(2,736)
Foreign currency translation adjustment	17	35
Remeasurements of defined benefit plans	282	221
Total accumulated other comprehensive income	(1,684)	(1,757)
Non-controlling interests	300	324
Total net assets	30,971	31,177
Total liabilities and net assets	54,832	58,522

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income
Six Months Ended September 30

(Unit: Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	37,480	38,735
Cost of sales	29,183	31,129
Gross profit	8,296	7,605
Selling, general and administrative expenses		
Advertising and sample expense	651	650
Packing and transportation costs	1,180	1,221
Vehicle expenses	206	196
Provision of allowance for doubtful accounts	14	9
Remuneration for directors (and other officers)	130	126
Salaries and bonuses	2,239	2,227
Provision for bonuses	311	157
Retirement benefit expenses	31	(36)
Welfare expenses	412	388
Rent expenses	370	382
Depreciation	141	151
Supplies expenses	104	111
Research and development expenses	108	92
Other	1,351	1,376
Total selling, general and administrative expenses	7,254	7,054
Operating profit	1,041	550
Non-operating income		
Interest income	1	0
Dividend income	15	18
Share of profit of entities accounted for using equity method	20	24
Rental income from real estate	39	34
Other	35	26
Total non-operating income	111	104
Non-operating expenses		
Interest expenses	19	26
Foreign exchange losses	0	3
Rental expenses on real estate	8	4
Other	4	2
Total non-operating expenses	32	36
Ordinary profit	1,121	617
Extraordinary losses		
Impairment losses	17	–
Total extraordinary losses	17	–
Profit before income taxes	1,103	617
Income taxes - current	271	153
Income taxes - deferred	18	78
Total income taxes	290	231
Profit	813	386
Profit attributable to non-controlling interests	27	22
Profit attributable to owners of parent	786	363

Semi-annual Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Unit: Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	813	386
Other comprehensive income		
Valuation difference on available-for-sale securities	121	(33)
Foreign currency translation adjustment	29	20
Remeasurements of defined benefit plans, net of tax	(8)	(60)
Share of other comprehensive income of entities accounted for using equity method	0	1
Total other comprehensive income	142	(71)
Comprehensive income	956	315
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	926	290
Comprehensive income attributable to non-controlling interests	29	24

(3) Notes to Semi-annual 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)

(Application of Accounting Standard for Current Income Taxes and other standards)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") and other standards from the beginning of the six months ended September 30, 2024.

Regarding the revisions to the categories in which income taxes should be recorded (taxation on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment prescribed in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Guidance"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

In addition, with regard to revisions related to the treatment in consolidated financial statements of gains or losses arising from the sale of subsidiary shares, etc. between consolidated companies when they are deferred for tax purposes, the Company has applied the 2022 Revised Guidance from the beginning of the six months ended September 30, 2024. This change in accounting policies has been applied retrospectively, and the semi-annual consolidated financial statements and the consolidated financial statements for the previous consolidated fiscal year have been restated accordingly. This change in accounting policies has no impact on the semi-annual consolidated financial statements and the consolidated financial statements for the previous consolidated fiscal year.

(Segment information, etc.)

I For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Unit: Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Semi-annual Consolidated Statements of Income (Note 3)
	Coffee- related businesses	Restaurant- related businesses	Total				
Net sales							
Revenue from contracts with customers	33,197	2,104	35,302	2,166	37,468	–	37,468
Revenue from other sources	12	–	12	–	12	–	12
Net sales to outside customers	33,209	2,104	35,314	2,166	37,480	–	37,480
Inter-segment net sales or transfers	346	7	354	1,002	1,357	(1,357)	–
Total	33,556	2,112	35,668	3,168	38,837	(1,357)	37,480
Segment profit (loss)	1,095	(15)	1,080	243	1,324	(282)	1,041

(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. The adjustment of negative 282 million yen to segment profit (loss) includes an elimination of internal transactions of negative 2 million yen, an inventories adjustment of 8 million yen, and corporate expenses not allocated to reportable segments of negative 287 million yen.

Corporate expenses primarily consist of general and administrative expenses that do not belong to reportable segments.

3. Segment profit (loss) has been adjusted with operating profit in the semi-annual consolidated statements of income.

II For the six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

1. Information on net sales and profit by reportable segment

(Unit: Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Semi-annual Consolidated Statements of Income (Note 3)
	Coffee- related businesses	Restaurant- related businesses	Total				
Net sales							
Revenue from contracts with customers	34,610	2,063	36,673	2,040	38,714	–	38,714
Revenue from other sources	21	–	21	–	21	–	21
Net sales to outside customers	34,631	2,063	36,695	2,040	38,735	–	38,735
Inter-segment net sales or transfers	341	18	360	1,047	1,408	(1,408)	–
Total	34,973	2,081	37,055	3,088	40,143	(1,408)	38,735
Segment profit	571	3	575	271	847	(296)	550

- (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. The adjustment of negative 296 million yen to segment profit includes an elimination of internal transactions of 13 million yen, an inventories adjustment of 5 million yen, and corporate expenses not allocated to reportable segments of negative 315 million yen.
- Corporate expenses primarily consist of general and administrative expenses that do not belong to reportable segments.
3. Segment profit has been adjusted with operating profit in the semi-annual consolidated statements of income.

(Significant subsequent events)

The Company entered into an agreement with Japan Platform of Industrial Transformation, Inc. (hereinafter, “JPiX”) to transfer all shares and loan claims in Italian Tomato Co., Ltd., a consolidated subsidiary of the Company, to JPiX (hereinafter, “the Transfer”) on January 10, 2024 and had been preparing to close the Transfer; however, the Transfer was cancelled because both parties now intend to cancel the transfer agreement as of October 10, 2024.

Although the closing conditions precedent to the Transfer were not satisfied and the transfer agreement was thus canceled, the financial results of Italian Tomato Co., Ltd. maintained profitability in operating profit, ordinary profit, and profit for the six months ended September 30, 2024 due to efforts to improve efficiency of store operation and strengthen customer attraction. The Company is continuing to work for a further streamlined operation for sound financial status through the recovery of the profit and loss situation.