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Consolidated Financial Report For the Six Months Ended August 31, 2024 (IFRS)

October 9, 2024

Company Name : KOMEDA Holdings Co., Ltd. Stock Exchange Listing : Tokyo and Nagoya
Securities Code : 3543 URL : <https://www.komeda-holdings.co.jp/english>
Representative : Yuichi Amari, President & CEO
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Filing date of quarterly security report (as planned) : October 9, 2024
Dividend payable date (as planned) : November 26, 2024
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, 2024

(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, 2024	23,058	8.3	4,456	3.1	4,390	2.4	2,992	2.4	2,992	2.5	2,963	1.1
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

	Basic earnings per share	Diluted earnings per share
Six Months ended August 31, 2024	(Yen) 65.61	(Yen) 65.57
August 31, 2023	63.49	63.44

(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, 2024	(Millions of yen) 103,931	(Millions of yen) 43,879	(Millions of yen) 43,879	(%) 42.2
February 29, 2024	102,772	43,110	43,110	41.9

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Fiscal year ended February 29, 2024	(Yen) —	(Yen) 26.00	(Yen) —	(Yen) 27.00	(Yen) 53.00
Fiscal year ending February 28, 2025	—	27.00			
Fiscal year ending February 28, 2025 (Forecasted)			—	27.00	54.00

3. Forecasts on the Consolidated Financial Results for the Fiscal Year Ending February 28, 2025 (March 1, 2024 - February 28, 2025)

(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 28, 2025	45,465	5.2	9,350	7.3	9,285	6.9	6,330	6.0	6,330	6.0	138.14

(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 : No
- (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, 2024	46,259,400	As of February 29, 2024	46,235,400
(ii) Number of treasury stock	As of August 31, 2024	774,136	As of February 29, 2024	410,859
(iii) Average number of issued shares during the period	Six Months ended August 31, 2024	45,604,692	Six Months ended August 31, 2023	45,965,030

* 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 11, 2024.

(Appendix)

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1. Qualitative Information on Business and Financial Results

(1) Overview of Operating Results

During the first half (March 1 to August 31, 2024) of fiscal 2024 (ending February 28, 2025), the food service industry, in which the KOMEDA Holdings Group operates, moderately recovered, driven by an increase in consumer spending due to wage increases and the expansion of inbound demand. However, the business environment remained highly uncertain mainly due to factors such as ongoing elevated raw material prices and energy costs resulting from monetary policies and the fluctuations in exchange rates in Japan and the United States as well as geopolitical risks, labor shortages and rising labor costs attributed to recruitment difficulties, and changes in customer lifestyles 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 raised the prices of our menu items from April due to the soaring costs of raw materials and energy, as well as rising labor costs. However, the Company kept the wholesale prices for franchise stores unchanged until the end of August. In response to the price increases in stores, the Company made dessert sets more affordable and renovated some stores to create more relaxing spaces, as a part of our various QSC improvement measures aimed at enhancing the value of our customer experience. As for our sales initiatives, in contrast to the "1000 Thank You Campaign" held last year to commemorate KOMEDA Group reaching 1,000 stores, the Company launched various collaboration products such as "Shiro -Noir Tenku no Matcha" using matcha grown in the mountainous areas of Shizuoka Prefecture, and seasonal limited products with a Hawaiian theme under the slogan "Summer at Komeda! Hawaii-jan!!". Additionally, starting from August 1, the Company also launched a campaign where customers who register their favorite stores on the KOMEDA official app and collect five stamps receive a free drink coupon on the app, resulting in more customers visiting our stores compared to the previous year.

As a result of these measures, same-store wholesale sales to franchise stores increased 3.9% year on year in the first half under review. All-store wholesale sales rose 9.7% year on year.

In terms of the number of stores, the Company opened 30 new KOMEDA's Coffee locations, mainly in Japan, and on August 27, the Company opened one new Okagean with KOMEDA's Coffee in Kamata East Exit, Ota Ward, Tokyo. As a result, the total number of stores amounted to 1,050 stores at the end of the subject period.

Brand	Area	February 29, 2024	Newly Opened	Closed	August 31, 2024
KOMEDA's Coffee	East	331 (14)	10 (1)	– (–)	341 (13)
	Central	304 (3)	4 (–)	1 (–)	307 (2)
	West	330 (9)	11 (–)	– (–)	341 (9)
	Overseas	39 (13)	5 (2)	3 (1)	41 (15)
Okagean	All	13 (6)	1 (1)	– (–)	14 (6)
BAKERY ADEMOK KOMEDA is Dai-An-Kichi-Jitsu La Vinotheque	All	6 (6)	– (–)	– (–)	6 (6)
Total		1,023 (51)	31 (4)	4 (1)	1,050 (51)

(Notes) 1. Figures in parentheses are the number of company-owned store. These figures are included in the total count of stores.

2. A total of three company-owned KOMEDA's Coffee stores were changed to franchise stores, two in East Japan, one in Central Japan, and one company-owned Okagean store was changed to franchise store. One franchise store overseas was changed to a company-owned store.

As a result, revenue in the first half under review stood at ¥23,058 million (up 8.3% year-on-year). Operating profit, income before income taxes, and net income attributable to owners of the parent came to ¥4,456 million (up 3.1%), ¥4,390 million (up 2.4%), and ¥2,992 million (up 2.5%), respectively.

In order to contribute to the realization of a sustainable society through its business activities, KOMEDA has classified material issues that it considers a priority (materiality) into the three themes of “Quality and Customers,” “People and Job Satisfaction,” and “Environment.” and is implementing initiatives to contribute to the enhancement of the corporate group’s economic value and address societal issues in each of these theme. For details, please refer to our website:

- <https://komeda-holdings.co.jp/materiality/>
- <https://komedacomestruue.komeda.co.jp/action/>

(2) Overview of Financial Position

The assets, liabilities, and capital at the end of the first half were as follows.

Current assets increased ¥376 million from the end of the previous fiscal year, to ¥19,789 million, primarily due to an increase in trade and other receivables. Non-current assets increased ¥783 million, to ¥84,124 million, chiefly reflecting an increase in trade and other receivables. Total assets increased ¥1,159 million, to ¥103,931 million.

Current liabilities increased ¥474 million from the end of the previous fiscal year, to ¥14,302 million, chiefly due to an increase in trade payables. Non-current liabilities decreased ¥84 million, to ¥46,020 million, attributable mainly to a decrease in borrowings. Total liabilities increased ¥390 million, to ¥60,052 million.

Total equity increased ¥769 million from the end of the previous fiscal year, to ¥43,879 million. This was primarily due to dividends of surplus of ¥1,237 million and the purchase of treasury stock of ¥1,004 million, which were partially offset by net income of ¥2,992 million.

(3) Overview of Cash Flows

Cash and cash equivalents at the end of the first half increased ¥352 million from the end of the previous fiscal year, to ¥8,275 million.

Presented below are an overview of cash flows for the first half under review and the main factors.

(Cash flows from operating activities)

Cash provided by operating activities was ¥5,053 million (down ¥760 million year on year). This primarily reflected an income before income taxes of ¥4,390 million (up ¥102 million year on year), an increase in trade and other receivables of ¥1,760 million (up ¥2,385 million year on year), an increase in other financial liabilities of ¥2,156 million (up ¥1,627 million year on year) and income taxes paid of ¥1,474 million (up ¥346 million year on year).

(Cash flows from investing activities)

Cash provided by investing activities stood at ¥525 million (up ¥1,819 million year on year). This is primarily attributable to a decrease in time deposits of ¥1,200 million (increase of ¥800 million in the same period of the previous year), and purchase of property, plant and equipment of ¥536 million (up ¥140 million year on year).

(Cash flows from financing activities)

Cash used in financing activities came to ¥5,192 million (up ¥30 million year on year). This is chiefly due to a repayment of borrowings of ¥1,016 million (up ¥38 million year on year), repayments of lease liabilities of ¥1,957 million (up ¥122 million year on year), purchase of treasury stock of ¥1,000 million (up ¥0 million year on year), and cash dividends paid to owners of the parent of ¥1,235 million (up ¥36 million year on year).

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

Consolidated results forecasts for the fiscal year ending February 28, 2025, are unchanged from those announced on April 10, 2024.

2. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position (Unaudited)

	(Millions of yen)	
	February 29, 2024	August 31, 2024
Assets		
Current assets		
Cash and cash equivalents	7,923	8,275
Trade and other receivables	6,054	7,637
Other financial assets	4,133	2,931
Inventories	373	407
Other current assets	930	539
Total current assets	19,413	19,789
Non-current assets		
Property, plant and equipment	12,880	12,954
Goodwill	38,354	38,354
Other intangible assets	357	457
Trade and other receivables	27,636	28,190
Other financial assets	3,417	3,478
Deferred tax assets	265	252
Other non-current assets	450	457
Total non-current assets	83,359	84,142
Total assets	102,772	103,931
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	2,218	2,780
Borrowings	2,032	2,027
Lease liabilities	3,895	3,837
Income tax payable	1,621	1,521
Other financial liabilities	2,618	2,692
Other current liabilities	1,174	1,175
Total current liabilities	13,558	14,032
Non-current liabilities		
Borrowings	9,112	8,100
Lease liabilities	29,438	30,292
Other financial liabilities	6,709	6,745
Provisions	359	358
Other non-current liabilities	486	525
Total non-current liabilities	46,104	46,020
Total liabilities	59,662	60,052
Equity		
Share capital	659	668
Capital surplus	13,042	13,028
Retained earnings	30,476	32,231
Treasury stock	(1,071)	(2,023)
Other components of equity	4	(25)
Equity attributable to owners of the parent	43,110	43,879
Total equity	43,110	43,879
Total liabilities and equity	102,772	103,931

2. Consolidated Financial Statements (continued)

(2) Consolidated Statements of Income (Unaudited)

	(Millions of yen)	
	Six Months ended August 31,	
	2023	2024
Revenue	21,284	23,058
Cost of sales	(14,017)	(15,152)
Gross profit	7,267	7,906
Other operating income	119	76
Selling, general and administrative expenses	(3,051)	(3,520)
Other operating expenses	(13)	(6)
Operating profit	4,322	4,456
Financial income	27	25
Financial expense	(61)	(91)
Income before income taxes	4,288	4,390
Income taxes	(1,368)	(1,398)
Net income	2,920	2,992
Net income attributable to:		
Owners of the parent	2,918	2,992
Non-controlling interests	2	—
Net income	2,920	2,992
Interim earnings per share		
Basic (Yen)	63.49	65.61
Diluted (Yen)	63.44	65.57

(3) Consolidated Statements of Comprehensive Income (Unaudited)

	(Millions of yen)	
	Six Months ended August 31,	
	2023	2024
Net income	2,920	2,992
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	11	(29)
Other comprehensive income after taxes	11	(29)
Total comprehensive income	2,931	2,963
Total comprehensive income attributable to:		
Owners of the parent	2,926	2,963
Non-controlling interests	5	—
Total comprehensive income	2,931	2,963

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, 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
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Equity attributable to owners of the parent	Total equity	
Balance as of March 1, 2024	659	13,042	30,476	(1,071)	4	43,110	43,110	
Net income			2,992			2,992	2,992	
Other comprehensive income					(29)	(29)	(29)	
Total comprehensive income	—	—	2,992	—	(29)	2,963	2,963	
Exercise of subscription rights to shares	9	7				16	16	
Share-based payment transactions		28				28	28	
Dividends			(1,237)			(1,237)	(1,237)	
Acquisition of treasury stock		3		(1,004)		(1,001)	(1,001)	
Disposal of treasury stock		(52)		52		—	—	
Total transactions with owners	9	(14)	(1,237)	(952)	—	(2,194)	(2,194)	
Balance as of August 31, 2024	668	13,028	32,231	(2,023)	(25)	43,879	43,879	

2. Consolidated Financial Statements (continued)

(5) Consolidated Statements of Cash Flows (Unaudited)

	(Millions of yen)	
	Six Months ended August 31,	
	2023	2024
Cash flows from operating activities		
Income before income taxes	4,288	4,390
Depreciation and amortization	796	770
Financial income	(27)	(25)
Financial expense	61	91
Decrease (increase) in trade and other receivables	625	(1,760)
Decrease (increase) in guarantee deposits and construction assistance fund receivables	(37)	(44)
Increase (decrease) in trade payables	240	568
Increase (decrease) in guarantee deposits received and construction assistance fund received	48	20
Increase (decrease) in other financial liabilities	529	2,156
Others	(33)	(84)
Subtotal	6,490	6,082
Interest received	1	1
Interest paid	(22)	(26)
Income taxes paid	(1,143)	(1,474)
Income taxes refunded	487	470
Net cash provided by operating activities	5,813	5,053
Cash flows from investing activities		
Decrease (increase) in time deposits	(800)	1,200
Purchase of property, plant and equipment	(396)	(536)
Purchase of intangible assets	(56)	(144)
Purchase of investment securities	(38)	(13)
Others	(4)	18
Net cash provided by (used in) investing activities	(1,294)	525
Cash flows from financing activities		
Repayment of borrowings	(978)	(1,016)
Repayments of lease liabilities	(1,835)	(1,957)
Proceeds from issuance of shares	10	16
Purchase of treasury stock	(1,000)	(1,000)
Cash dividends paid to owners of the parent	(1,199)	(1,235)
Cash dividends paid to non-controlling interests	(160)	—
Net cash used in financing activities	(5,162)	(5,192)
Effect of exchange rate changes on cash and cash equivalents	6	(34)
Net increase (decrease) in cash and cash equivalents	(637)	352
Cash and cash equivalents at beginning of period	6,681	7,923
Cash and cash equivalents at end of period	6,044	8,275

2. Consolidated Financial Statements (continued)

(6) Notes to Consolidated Financial Statements (Unaudited)

Notes on Assumption of Going Concern

None

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 29, 2024.

Income taxes for the Six Months ended August 31, 2024 are calculated based on the estimated average annual effective tax rate.

Segment Information

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

Revenue

	Six Months ended August 31, 2023	Six Months ended August 31, 2024
Wholesale sales	15,425	17,023
Sales from company-owned stores	2,841	2,502
Revenue from store development	439	744
Others	1,776	1,958
Revenue from contract with customers	20,481	22,227
Income from lease contracts	803	831
Revenue from others	803	831
Total revenue	21,284	23,058

Earnings per Share

	Six Months ended August 31, 2023	Six Months ended August 31, 2024
Net income attributable to owners of the parent (millions of yen)	2,918	2,992
Weighted average number of ordinary shares (shares)	45,965,030	45,604,692
Number of ordinary shares with dilutive effects Increase due to stock options (shares)	33,751	21,602
Weighted average number of ordinary shares after dilution (shares)	45,998,781	45,626,294
Basic earnings per share (yen)	63.49	65.61
Diluted earnings per share (yen)	63.44	65.57

Subsequent Events

(Capital Increase for Subsidiary)

At the Board of Directors meeting held on September 6, 2024, the Company resolved to increase the capital of the Company wholly-owned Singapore subsidiary, KOMEDA INTERNATIONAL HOLDINGS PTE. LTD. ("KIH"), and completed the payment on September 9, 2024.

- Background of the Capital Increase

The Company intended to stabilize KIH financial base for acquiring the issued shares of POON RESOURCES PTE. LTD.

-Overview of the Subsidiary and Capital Increase

Company Name: KOMEDA INTERNATIONAL HOLDINGS PTE. LTD.

Location: 18 Robinson Road #20-02, 18 Robinson, Singapore (048547)

Capital: USD 10 (before capital increase)

Equity Ratio: 100% (before capital increase)

Capital after Increase: USD 17,000,010

Payment Amount: USD 17,000,000

Payment Date: September 9, 2024

Equity Ratio after Increase: 100%

(Conclusion of Letter of Intent for the Acquisition of Subsidiary)

At the Board of Directors meeting held on September 6, 2024, the Company resolved to enter into a legally binding letter of intent ("LOI") with founders of POON RESOURCES PTE. LTD. ("POON") for acquiring 70% of the issued shares of POON through the Company wholly-owned subsidiary, KIH, and signed LOI on September 9, 2024. The timing of the conclusion of the share transfer agreement and the execution of the share transfer is currently being rearranged with founders of POON.

-Background of the Share Acquisition

KOMEDA is working on expanding existing models, pursuing new co-creation values, and maintaining and expanding financial value under the slogan "Link People, Communities, and Society through KUTSUROGI" outlined in our medium-term business plan "VALUES 2025". In pursuing new co-creation values, the Company has been promoting business alliances and acquisitions to aim at synergies with existing models and exploring possibilities, including overseas.

POON, operating multiple cafes and Thai restaurant chains in Singapore, provides halal-compliant menus at three brands stores located mainly in hospitals, public facilities, and shopping malls, providing "KUTSUROGI" to many customers.

By acquiring shares of POON (making it our subsidiary), which has the ability to expand multiple brands locally, the Company intend to achieve the expansion of POON's business in other area, as well as the collaborated expansion of KOMEDA's Coffee store in Singapore and other Southeast Asian countries, in future.

Therefore, the Company determined POON share acquisition to align with "VALUES 2025" and contribute to the enhancement of our group's corporate value.

the Company will promote integrating the store expansion capabilities of KOMEDA's Coffee store, has cultivated so far, with POON's know-how to expand the regions where the Company opens stores and provides "the best place to relax" to all customers.

-Overview of the Subsidiary to Acquire Shares

Name of the Acquired Company: POON RESOURCES PTE. LTD.

Location: 1 Trevoise Crescent, Dunearn Estate, Singapore 298017

Capital: SGD 250,000

Business: Operation of cafes and Thai restaurants in Singapore

Number of Shares Owned Before Change: 0 shares (0.0% voting rights)

Number of Shares to be Acquired: 175,000 shares

Scheduled Acquisition Price: SGD 16,800,000

Number of Shares Owned After Change: 175,000 shares (70.0% voting rights)