

Consolidated Financial Results

Under Japanese Standards for the First Quarter of the fiscal year ending April 30, 2022 (Unaudited)

Scheduled filing date of quarterly securities report: September 13, 2021

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly results prepared: Yes

Quarterly results presentation held: None

(Figures are rounded down to million yen.)

1. Consolidated Performance for the First Quarter of the Fiscal Year Ending April 30, 2022 (May 1, 2021 - July 31, 2021)

(1) Consolidated Results of Operations – cumulative

(% indicates year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen		Million yen		Million yen		Million yen	
7/31/2021	105,775	–	6,312	49.7%	6,461	62.2%	4,464	124.0%
7/31/2020	112,714	-13.5%	4,216	-32.1%	3,984	-32.3%	1,993	-45.5%

Note 1: Comprehensive income 7/31/2021: 4,546 million yen (140.0%) 7/31/2020: 1,894 million yen (-29.6%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
7/31/2021	36.82		36.74	
7/31/2020	16.44		16.40	

Note 2: The above per share information pertains to Common Stock. For per share information for Class-A Preferred Stock, refer to “Reference” below.

Note 3: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter under review, and each figure for the first quarter of the fiscal year ending April 30, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations. Because this will have a significant impact on net sales, the year on year percentage change in net sales is not shown.

If net sales for the first quarter of the fiscal year ended April 30, 2021 are calculated using the same standards, net sales increased by 8.2%.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
7/31/2021	337,902	154,501	45.4%
4/30/2021	333,065	153,057	45.6%

Reference: Shareholders' equity 7/31/2021: 153,290 million yen 4/30/2021: 151,773 million yen

Note: The Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter under review, and each figure as of July 31, 2021, is the figure after applying the said accounting standard, etc.

2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2021	–	20.00	–	20.00	40.00
4/30/2022	–				
4/30/2022 (Forecast)		20.00	–	20.00	40.00

Note 1: Revision to the most recently disclosed dividend forecast: None

Note 2: The above dividend per share pertains to Common Stock. For dividend per share for Class-A Preferred Stock, refer to “Reference” below.

3. Forecasted Consolidated Results for the Fiscal Year Ending April 30, 2022 (May 1, 2021 - April 30, 2022)

(% indicates year on year changes)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
10/31/2021	215,900 –	10,500 21.9%	10,400 25.0%	6,800 48.0%	54.72
4/30/2022	410,000 –	20,000 19.9%	19,800 16.3%	12,800 82.5%	102.84

Note 1: Revision to the most recently forecasted consolidated results: None

Note 2: The above per share information in forecasted consolidated results pertains to Common Stock. For per share information for Class-A Preferred Stock, refer to “Reference” below.

Note 3: Because the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter under review, the forecasted consolidated results are based on this accounting standard. Since this will have a significant impact on net sales, the year on year percentage change in net sales is not shown.

If net sales for the fiscal year ended April 30, 2021, are calculated using the same standards, net sales are expected to increase by 5.9% for the second quarter (cumulative) and 5.8% for the full year.

Notes

(1) Changes in important subsidiaries during the period

(Changes in specific subsidiaries accompanied by a change in the scope of consolidation): None

(2) Application of special accounting methods in preparation for quarterly consolidated financial statements: Yes

Note: Application of simplified accounting and specific for preparing the quarterly consolidated financial statements.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

i. Changes in accounting policies associated with in accounting standards: Yes

ii. Changes in accounting policies other than i. above: None

iii. Changes in accounting estimates: None

iv. Restatements: None

Note: For further details, please refer to the section of “(3) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Policies)” of “2. Quarterly Consolidated Financial Statements and Main Notes” on page 8 of the attached material.

(4) Number of outstanding shares (common stock)

i. Number of outstanding shares (including treasury stock) 7/31/2021 89,212,380 shares 4/30/2021 89,212,380 shares

ii. Number of treasury stock 7/31/2021 1,008,517 shares 4/30/2021 1,012,267 shares

iii. Average number of shares during the period 7/31/2021 88,202,620 shares 7/31/2020 88,188,913 shares

Note: The above “Number of outstanding shares” pertains to Common Stock. For “Number of outstanding shares” for Class-A Preferred Stock, refer to “Reference” below.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Request for appropriate use of the business outlook and other special remarks

Forward-looking statements in this document, including forecasts, are based on information available to management at the time of the announcement, which management assumes to be reasonable. Therefore, our company does not guarantee the achievement of forecasts and other forward-looking statements. Because of variable factors, actual results may differ from the forecast figures. For the basis of presumption of the forecasted operation results and the notes on its use, refer to “Explanations Regarding Forecasts for Consolidated Results and Future Outlook” on page 3.

Reference

(1) Per share information of Class-A Preferred Stock

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2021	36.82	36.74
7/31/2020	16.44	16.40

(2) Dividends – Class-A Preferred Stock

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2021	–	25.00	–	25.00	50.00
4/30/2022	–				
4/30/2022 (Forecast)		25.00	–	25.00	50.00

Note: Revision to the most recently disclosed dividend forecast: None

(3) Per share information of Class-A Preferred Stock in forecasted consolidated results

	Earnings per share (Consolidated)
	Yen
10/31/2021	59.72
4/30/2022	112.84

Note: Revision to the most recently forecasted consolidated results: None

(4) Number of outstanding shares – Class-A Preferred Stock

i. Number of outstanding shares (including treasury stock)	7/31/2021	34,246,962 shares	4/30/2021	34,246,962 shares
ii. Number of treasury stock	7/31/2021	1,196,740 shares	4/30/2021	1,196,320 shares
iii. Average number of shares during the period	7/31/2021	33,050,442 shares	7/31/2020	33,054,605 shares

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1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

(1) Explanations Regarding Consolidated Results of Operations

During the first three months of the fiscal year ending April 30, 2022 (May 1, 2021 - July 31, 2021), the Japanese economy was in an extremely difficult situation due to the impact of the novel coronavirus disease (COVID-19), which is spreading globally. Although personal consumption continues to pick up due to increased vaccinations, the replacement of the standard novel coronavirus with new variants (delta variant) has progressed, leading to a declaration of a state of emergency and adoption of strict infection control measures in various regions, and the uncertain situation is expected to continue.

In the beverage industry as well, the business environment continues to be tough due to the negative impact of economic stagnation, which was the result of restrictions on activities and people refraining from going out due to the spread of COVID-19, and changes in lifestyles such as an increase in working at home.

Under these business conditions, in keeping with the management principle of “Always Putting the Customer First,” the ITO EN Group vigorously engaged in business activities while constantly seeking to identify and address areas of customer dissatisfaction in the beverage market.

As a result, the business performance for the first three months of the fiscal year ending April 30, 2022 was as follows.

Net sales	105,775 million yen
Operating income	6,312 million yen, up 49.7%
Ordinary income	6,461 million yen, up 62.2%
Profit attributable to owners of parent	4,464 million yen, up 124.0%

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter under review, and each figure for the first quarter of the fiscal year ending April 30, 2022, is the figure after applying the said accounting standard, etc. Because this will have a significant impact on net sales, the year on year percentage change in net sales is not shown.

If net sales for the first three months of the fiscal year ended April 30, 2021 are calculated using the same standards, net sales increased by 8.2%.

For further details, please refer to the section of “(3) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Policies)” of “2. Quarterly Consolidated Financial Statements and Main Notes” on page 8.

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

In May 2021, we concluded a business alliance agreement with Eisai Co., Ltd. related to efforts for aiming to realize a healthy society with longevity. Through this alliance, Eisai Co., Ltd. and ITO EN aim to contribute to solving social issues by integrating Eisai’s wealth of experience and knowledge in drug creation and disease awareness-raising activities in the area of dementia, as well as Eisai’s digital technology and other solutions-related capabilities, with ITO EN’s customer network built through its community-based sales activities, as well as ITO EN’s problem-solving project related to cognitive functions based on its abundant research on matcha.

With regard to environmental initiatives, in order to achieve the goals related to containers and packages in the “ITO EN Group’s Medium- to Long-Term Environmental Goals,” which were formulated in November 2020, the Company first aims to switch to 100% recycled materials for all of the plastic bottle products of the mainstay brand “*Oi Ocha*” by the fiscal year ending April 30, 2026. In addition, we developed environmentally friendly lightweight pallets for transportation by upcycling used barley tea dregs remaining after the production of “*Kenko Mineral Mugicha*” (healthy mineral barley tea), etc., thereby reducing the amount of petroleum resources used and CO2 emissions. Based on the “ITO EN Group’s Environmental Policy,” we will continue aiming to contribute to the protection of the global environment through the development of products made from recycled used tea leaves based on the concept of “using tea in products that are familiar to our customers,” as well as by reducing the weight of plastic bottles, adopting 100% recycled plastic bottles, etc.

In May 2021, the Company launched sales of “*Oi Ocha with Matcha*” with functional claims stating that its theanine and tea catechins boost accuracy of attentiveness and judgment, which are some of the cognitive functions. This product mainly uses kabuse tea, which has a lot of flavor, and brings out a gentle taste to produce a fragrant and delicious tea. Customers can enjoy this product not only during meals, but also while conducting business and in many other everyday situations.

In June 2021, we launched “*TULLY’S COFFEE THE BARISTA’S ROAST*” from the “*TULLY’S COFFEE*” brand, which has been popular by offering products with a similar taste to that of the “*TULLY’S COFFEE*” specialty coffee shops. This product is a drip-coffee bag that allows customers to easily enjoy coffee, which has been produced under the supervision of Tully’s Coffee baristas, at home and other locations. To bring out the special aroma, the ingredients are carefully selected 100% arabica coffee beans roasted in Japan. There are three types available: “*STANDARD*” with a rich aroma and full-bodied flavor, “*MILD*” with a mellow aroma and moderate acidity and “*HEAVY*” with a deep, satisfying flavor, and each can be enjoyed by customers in various drinking situations.

Also in June 2021, we launched “*Eiyoukyouka-gata Ichinichibun no Yasai*” (a day’s worth of vegetables with enhanced nutrition) from “*Ichinichibun no Yasai*” (a day’s worth of vegetables), the best-selling 100% vegetable juice brand, as a product labeled with functional food claims of three health benefits: control an increase in neutral fat after eating, control an increase in blood sugar after eating and lower blood pressure that tends to be high. The product contains indigestible dextrin (dietary fiber), which controls the increase in blood sugar and blood neutral fat levels after eating by reducing the absorption of sugar and fat from meals, and gamma-aminobutyric acid (GABA), which lowers blood pressure in people who tend to have high blood pressure, and is therefore recommended for people concerned about neutral fat, blood sugar levels and blood pressure.

In addition to the above products, we also launched “*Nippon Eeru Miyazakiken-san Hyuuganatsu*,” a fruit juice beverage developed jointly with the National Federation of Agricultural Cooperative Associations (JA ZEN-NOH), “*Catechin GO! SPARKLING*,” a sugar-free carbonated beverage for easy consumption of green tea catechins, and other new products.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 97,169 million yen and operating income of 6,240 million yen, up 21.8%.

The Accounting Standard for Revenue Recognition, etc. have been applied from the beginning of the first quarter of the fiscal year ending April 30, 2022, and the figure for net sales is the figure after applying the said accounting standard, etc.

If net sales for the first three months of the fiscal year ended April 30, 2021 are calculated using the same standards, net sales increased by 6.9%.

<Restaurant Business>

For Tully’s Coffee Japan Co., Ltd., frozen beverages, such as the seasonal shake “*Espresso Shake*” with which one can enjoy the deep flavor and aroma of espresso shots carefully extracted one by one by a barista, “*Margherita Pizza*,” a new product suited to take-out orders, and other products performed favorably.

In addition, the need remains high for “home cafes” where customers can purchase coffee beans they like to enjoy while relaxing at home, and coffee beans and “*Tully’s Specialty Café au Lait Base, 275 ml*,” which enliven the times spent drinking coffee at home, were popular. The total number of coffee shops at present is 761.

As a result of these activities, the Restaurant Business recorded net sales of 6,973 million yen and operating income of 104 million yen, compared with operating loss of 877 million yen in the same period last year.

The Accounting Standard for Revenue Recognition, etc. have been applied from the beginning of the first quarter of the fiscal year ending April 30, 2022, and the figures for net sales and operating income are the figures after applying the said accounting standard, etc.

If net sales for the first three months of the fiscal year ended April 30, 2021 are calculated using the same standards, net sales increased by 35.3%.

<Others>

The Others recorded net sales of 1,631 million yen, up 2.9% year on year, and operating income of 121 million yen, down 20.7%.

There is no impact of applying the Accounting Standard for Revenue Recognition, etc.

(2) Explanations Regarding Consolidated Financial Position

The following is a consolidated financial position for the first quarter of the fiscal year ending April 30, 2022.

Total assets as of July 31, 2021 stood at 337,902 million yen, increased by 4,837 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected a decrease of 7,862 million yen in “Cash and deposits,” an increase of 9,587 million yen in “Notes and accounts receivable-trade,” an increase of 4,167 million yen in “Merchandise and finished goods” and an increase of 2,263 million yen in “Raw materials and supplies.”

Liabilities as of July 31, 2021 stood at 183,401 million yen, increased by 3,393 million yen from the end of the previous fiscal year. These changes in liabilities mainly reflected an increase of 2,220 million yen in “Accounts payable-trade,” an increase of 1,921 million yen in “Accrued expenses” and a decrease of 1,729 million yen in “Provision for bonuses.”

Net assets as of July 31, 2021 stood at 154,501 million yen, increased by 1,444 million yen from the end of the previous fiscal year. This mainly reflected an increase of 4,464 million yen in “Retained earnings” due to “Profit attributable to owners of parent,” and a decrease of 2,590 million yen in “Retained earnings” due to “Dividends of surplus.”

(3) Explanations Regarding Forecasts for Consolidated Results and Future Outlook

As for the consolidated business outlook for the fiscal year ending April 30, 2022, no changes have been made to the forecasts that were announced on June 1, 2021.

In the event that it is necessary to revise forecasts based on the future impact of the spread of COVID-19 on business performance and other factors, the Company will promptly disclose this information.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2021 and July 31, 2021

(Millions of yen)

	As of April 30, 2021	As of July 31, 2021
Assets		
Current assets		
Cash and deposits	109,430	101,568
Notes and accounts receivable - trade	53,137	62,724
Merchandise and finished goods	35,177	39,345
Raw materials and supplies	10,255	12,519
Other	15,982	13,302
Allowance for doubtful accounts	(103)	(109)
Total current assets	223,880	229,350
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,887	20,845
Land	22,060	22,210
Leased assets, net	12,206	11,585
Other, net	22,944	22,788
Total property, plant and equipment	78,099	77,429
Intangible assets		
Goodwill	4,625	4,361
Other	3,710	3,709
Total intangible assets	8,335	8,071
Investments and other assets		
Other	22,885	23,186
Allowance for doubtful accounts	(135)	(134)
Total investments and other assets	22,749	23,051
Total non-current assets	109,184	108,552
Total assets	333,065	337,902
Liabilities		
Current liabilities		
Accounts payable - trade	29,999	32,219
Short-term loans payable	25,004	24,804
Lease obligations	2,966	2,783
Accrued expenses	24,858	26,779
Income taxes payable	3,453	3,118
Provision for bonuses	3,543	1,814
Other	3,723	5,347
Total current liabilities	93,548	96,868
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	55,858	55,559
Lease obligations	5,023	4,962
Net defined benefit liability	11,000	11,192
Other	4,577	4,819
Total non-current liabilities	86,459	86,533
Total liabilities	180,007	183,401

Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2021	As of July 31, 2021
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,660	18,664
Retained earnings	123,679	125,232
Treasury shares	(6,466)	(6,453)
Total shareholders' equity	155,785	157,356
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,956	1,831
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	217	311
Remeasurements of defined benefit plans	(133)	(155)
Total accumulated other comprehensive income	(4,012)	(4,065)
Share acquisition rights	148	129
Non-controlling interests	1,136	1,081
Total net assets	153,057	154,501
Total liabilities and net assets	333,065	337,902

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to July 31, 2020 and 2021

Quarterly Consolidated Statement of Income [First quarter period]

(Millions of yen)

	Three months ended July 31, 2020	Three months ended July 31, 2021
Net sales	112,714	105,775
Cost of sales	58,954	63,411
Gross profit	53,760	42,363
Selling, general and administrative expenses	49,544	36,050
Operating income	4,216	6,312
Non-operating income		
Interest income	15	21
Dividend income	33	42
Share of profit of entities accounted for using equity method	25	91
Foreign exchange gains	—	11
Gain on prepaid card	33	70
Other	127	106
Total non-operating income	235	344
Non-operating expenses		
Interest expenses	92	120
Foreign exchange losses	273	—
Other	101	75
Total non-operating expenses	467	195
Ordinary income	3,984	6,461
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on donation of non-current assets	—	13
Subsidy income	308	707
Other	—	0
Total extraordinary income	312	720
Extraordinary losses		
Loss on sales of non-current assets	—	7
Loss on abandonment of non-current assets	44	23
Loss on valuation of investment securities	12	1
Impairment loss	5	5
Loss on disaster	4	—
Loss on COVID-19 impact	306	54
Other	—	9
Total extraordinary losses	373	102
Income before income taxes	3,923	7,079
Income taxes	1,876	2,496
Net income	2,047	4,583
Profit attributable to non-controlling interests	54	118
Profit attributable to owners of parent	1,993	4,464

Quarterly Consolidated Statement of Comprehensive Income [First quarter period]

(Millions of yen)

	Three months ended July 31, 2020	Three months ended July 31, 2021
Net income	2,047	4,583
Other comprehensive income		
Valuation difference on available-for-sale securities	101	(95)
Foreign currency translation adjustment	(303)	97
Remeasurements of defined benefit plans, net of tax	60	(21)
Share of other comprehensive income of entities accounted for using equity method	(11)	(17)
Total other comprehensive income	(153)	(37)
Comprehensive income	1,894	4,546
Comprehensive income attributable to owners of parent	1,845	4,412
Comprehensive income attributable to non-controlling interests	48	134

(3) Notes to Quarterly Consolidated Financial Statements
(Note Regarding the Company's Position as a Going Concern)

Not applicable

(Note Regarding Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Application of Special Accounting Methods in Preparation for Quarterly Consolidated Financial Statements)

(Calculation of income taxes)

The effective tax rate after the application of deferred tax accounting to the income before income taxes for the fiscal year including the first quarter under review is reasonably estimated, and the tax expenses are calculated by multiplying net income before income taxes by this estimated effective tax rate.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes resulting from the above are as follows.

1. For a portion of the selling commission and other consideration payable to customers that was previously recognized as selling, general and administrative expenses, the accounting method has been changed to deduct the consideration from the transaction price.
2. For initial franchise fees and renewal fees under franchise agreements that had been recognized as revenue when received, the accounting method has been changed to recognize revenue based on reasonable standards over the period of each agreement.
3. For subcontract processing with charged materials, raw materials, etc. supplied for value were previously derecognized. However, because the Company has an obligation to repurchase the supplied raw materials, etc. in the transactions, the supplied raw materials, etc. is not derecognized. The Company does not recognize any revenue related to the transfer of the supplied materials in these transactions.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter under review was added to or deducted from the opening balance of retained earnings of the first quarter under review, and thus the new accounting policy was applied from such opening balance.

For the first three months of the fiscal year under review, as a result of this change, net sales decreased by 16,136 million yen, cost of sales increased by 20 million yen, and selling, general and administrative expenses decreased by 16,250 million yen. Operating income, ordinary income and income before income taxes each increased by 93 million yen.

As of the end of the first quarter of the fiscal year ending April 30, 2022, merchandise and finished goods increased by 483 million yen, raw materials and supplies increased by 693 million yen, investments and other assets increased by 169 million yen, other current liabilities increased by 1,324 million yen and other non-current liabilities increased by 249 million yen. The opening balance of retained earnings decreased by 321 million yen.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations have been applied from the beginning of the first quarter of the fiscal year ending April 30, 2022, and in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. is applied prospectively. There is no impact on the quarterly consolidated financial statements as a result of this change.

(Segment Information)

1. Information regarding amounts of sales and profits or losses by reporting segment

For the first three months of the fiscal year ended April 30, 2021 (May 1, 2020 – July 31, 2020)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	106,044	5,084	1,585	112,714	–	112,714
(2) Intersegment	54	3	826	884	(884)	–
Total net sales	106,099	5,087	2,411	113,599	(884)	112,714
Segment profits (losses)	5,122	(877)	152	4,398	(182)	4,216

Notes: i. The segment profits (losses) adjustment includes (247) million yen in amortization of goodwill and 64 million yen in intersegment transactions.

ii. Segment profits (losses) are adjusted to the operating income figure on the Quarterly Consolidated Statements of Income.

For the first three months of the fiscal year ending April 30, 2022 (May 1, 2021 – July 31, 2021)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	97,169	6,973	1,631	105,775	–	105,775
(2) Intersegment	91	2	693	787	(787)	–
Total net sales	97,261	6,976	2,325	106,562	(787)	105,775
Segment profits (losses)	6,240	104	121	6,466	(154)	6,312

Notes: i. The segment profits (losses) adjustment includes (247) million yen in amortization of goodwill and 93 million yen in intersegment transactions.

ii. Segment profits (losses) are adjusted to the operating income figure on the Quarterly Consolidated Statements of Income.

2. Changes, etc. in reporting segments

As described in “(Changes in Accounting Policies),” the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the fiscal year ending April 30, 2022, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of reporting segments.

This change has an impact mainly on net sales of the Tea Leaves and Beverages Business.