

Consolidated Financial Results

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

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

Scheduled date of commencement of dividend payment: January 14, 2022

Supplementary documents for quarterly results prepared: Yes

Quarterly results presentation held (for institutional investors and analysts): Yes

(Figures are rounded down to million yen.)

1. Consolidated Performance for the Second Quarter of the Fiscal Year Ending April 30, 2022 (May 1, 2021 - October 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	
10/31/2021	208,716	–	10,856	26.1%	11,303	35.9%	7,752	68.7%
10/31/2020	236,585	-10.9%	8,610	-39.0%	8,317	-40.0%	4,596	-48.5%

Note 1: Comprehensive income 10/31/2021: 8,653 million yen (82.5%) 10/31/2020: 4,741 million yen (-42.0%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
10/31/2021	62.57		62.43	
10/31/2020	36.54		36.46	

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 of the fiscal year ending April 30, 2022, and each figure for the first six months 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 are calculated using the same standards as those for the first six months of the fiscal year ended April 30, 2021, net sales increased by 1.9%.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen		
10/31/2021	335,462	158,609	46.9%
4/30/2021	333,065	153,057	45.6%

Reference: Shareholders' equity 10/31/2021: 157,333 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 of the fiscal year ending April 30, 2022, and each figure as of October 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				
4/30/2021	–	20.00	–	20.00	40.00
4/30/2022	–	20.00			
4/30/2022 (Forecast)			–	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
4/30/2022	403,100 –	20,000 19.9%	19,800 16.3%	12,800 82.5%	102.84

Note 1: Revision to the most recently forecasted consolidated results: Yes

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 of the fiscal year ending April 30, 2022, 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 are calculated using the same standards as those for the fiscal year ended April 30, 2021, net sales are expected to increase by 4.1%.

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“(4) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Policies)” of “2. Quarterly Consolidated Financial Statements and Main Notes” on page 10 of the attached material.

(4) Number of outstanding shares (common stock)

i. Number of outstanding shares (including treasury stock) 10/31/2021 89,212,380 shares 4/30/2021 89,212,380 shares

ii. Number of treasury stock 10/31/2021 1,004,852 shares 4/30/2021 1,012,267 shares

iii. Average number of shares during the period 10/31/2021 88,204,456 shares 10/31/2020 88,191,927 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 4.

Reference

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

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
10/31/2021	67.57	67.43
10/31/2020	41.54	41.46

(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	–	25.00			
4/30/2022 (Forecast)			–	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
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)	10/31/2021	34,246,962 shares	4/30/2021	34,246,962 shares
ii. Number of treasury stock	10/31/2021	1,197,840 shares	4/30/2021	1,196,320 shares
iii. Average number of shares during the period	10/31/2021	33,050,060 shares	10/31/2020	33,054,234 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 six months of the fiscal year ending April 30, 2022 (May 1, 2021 - October 31, 2021), the Japanese economy has continued to be in an extremely difficult situation due to the impact of the novel coronavirus disease (COVID-19), which is spreading globally. Although personal consumption is picking up due to a decline in new positive cases of COVID-19, consumer confidence remains as weak as ever and uncertainty over the future is expected to continue.

In the beverage industry as well, the business environment continues to be tough due to restrictions on people's activities because of intermittent implementation of state of emergency declarations and strict infection control measures, as well as supply chain disruptions, primarily in maritime transport.

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 six months of the fiscal year ending April 30, 2022 was as follows.

Net sales	208,716 million yen
Operating income	10,856 million yen, up 26.1%
Ordinary income	11,303 million yen, up 35.9%
Profit attributable to owners of parent	7,752 million yen, up 68.7%

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 of the fiscal year ending April 30, 2022, and each figure for the first six months 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 are calculated using the same standards as those for the first six months of the fiscal year ended April 30, 2021, net sales increased by 1.9%.

For further details, please refer to the section of "(4) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Policies)" of "2. Quarterly Consolidated Financial Statements and Main Notes" on page 10.

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

In coordination with "Japanese Tea Day," we held online events on October 1, 2021 to communicate the appeal of Japanese tea to the world. "Japanese Tea Day," is an anniversary date established by the Company in 2002. It derives from the date when *Hideyoshi Toyotomi* held a grand tea ceremony called "Kitano O-Chanoyu" in the *Kitano Tenmangu Shrine* in Kyoto, the head temple of the *Tenmangu Shrine* in Japan. Each year, ITO EN's employees, primarily ITO EN qualified tea taster employees, have held tea tasting events throughout Japan to directly propose ways of enjoying tea. This year, however, the format has changed considerably. A total of six tea-related spots, such as *Kitano Tenmangu Shrine*, tea farms in Kagoshima Prefecture and Shizuoka Prefecture, and a Japanese tea cafe in Tokyo have been connected by video to create an online event that proposes ways to enjoy tea and its appeal.

In August 2021, the Company, Himeji City, Far Eastern Ishizuka Green PET Corporation, and Kinkisain Co., Ltd. concluded a four-way "Agreement on Collaborations Concerning Recycling of PET Bottles as Resource Circulation," aimed at forming a circulating society within Himeji City. Through this alliance agreement, used PET bottles collected within the area are horizontally recycled into new PET bottles (bottle-to-bottle), and the products created through this process are consumed in areas centered on Himeji City to realize a resource circulation system by recycling them as PET bottles again.

In September 2021, the "Oi Ocha" brand started sales of the heatable "Oi Ocha" series of teas made using 2021 quality tea leaves. Furthermore, starting this time, a 100% recyclable plastic bottle is being phased in to replace the "Oi Ocha" heatable 500 ml PET bottle. The Company formulated the "ITO EN Group's Medium- to Long-Term Environmental Goals" in November 2020, and is proceeding to prioritize switching its main "Oi Ocha" brand to recycled material, etc. (including plant-based materials, etc.) by the fiscal year ending April 30, 2026. Looking ahead, the Company will continue to expand its lineup of environmentally considerate containers and contribute to the realization of a sustainable society and environment.

In September 2021, the Company launched "Oi Ocha, Premium Teabags, First Picking" with the functional food claim of "reducing body fat in people with a high BMI" through gallate catechins, a functional substance. This is the first such product in Japan to be launched as a green tea teabag. The product uses 100% first-picking Japan-grown tea leaves, for an easy way to enjoy the rich taste and vibrant green color of tea as though it were brewed in a tea pot. Furthermore, the product uses special ingredients for the tea bags that is richer in gallate catechins than the Company's ordinary products, as well as triangular nylon tea bags that have excellent extraction performance.

In addition to the above products, we also launched "Nippon Yell Oitaken-san Kanjuku Kabosu," a second fruit juice beverage developed jointly with the National Federation of Agricultural Cooperative Associations (JA ZEN-NOH), "Vitamin

Power GO!,” a carbonated beverage and food with nutrient function claims, with a total of 19 nutritional components, including daily doses of 12 vitamins, five amino acids, citric acid, and royal jelly; and other new products.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 191,293 million yen and operating income of 10,728 million yen, up 8.4%.

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 are calculated using the same standards as those for the first six months of the fiscal year ended April 30, 2021, net sales increased by 1.1%.

<Restaurant Business>

At Tully’s Coffee Japan Co., Ltd., “*Tealista Early Grey Royal*” enjoyed a strong reception. This frozen drink has a strong yet refreshing aftertaste, and is made from royal milk tea, a highly popular menu item on the Tully’s Coffee drink menu. Other strong performing items included “*Hokkori OIMO Latte*,” a seasonal drink made using sweet potato, which is known as a typical autumn ingredient.

In food, “*Tully’s Wellness Deli*,” a series based on the concept of “plant based versions of everyday meals” designed to cater to rising health awareness enjoyed a favorable response with “*Vegetable Lasagne Plate*” and “*Bounty from the Fields Taco Rice*.” The total number of coffee shops at present is 758.

As a result of these activities, the Restaurant Business recorded net sales of 14,011 million yen and operating income of 115 million yen, compared with operating loss of 1,243 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 are calculated using the same standards as those for the first six months of the fiscal year ended April 30, 2021, net sales increased by 17.2%.

<Others>

The Others recorded net sales of 3,411 million yen, up 2.3% year on year, and operating income of 322 million yen, down 2.5%.

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

(2) Explanations Regarding Consolidated Financial Position

(i) Assets, liabilities and net assets

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

Total assets as of October 31, 2021 stood at 335,462 million yen, increased by 2,397 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected an increase of 2,522 million yen in “Cash and deposits,” an increase of 2,243 million yen in “Notes and accounts receivable - trade,” an increase of 2,223 million yen in “Raw materials and supplies” and a decrease of 1,308 million yen in “Leased assets.”

Liabilities as of October 31, 2021 stood at 176,853 million yen, decreased by 3,154 million yen from the end of the previous fiscal year. These changes in liabilities mainly reflected a decrease of 4,749 million yen in “Accounts payable - trade” and an increase of 1,461 million yen in “Income taxes payable.”

Net assets as of October 31, 2021 stood at 158,609 million yen, increased by 5,551 million yen from the end of the previous fiscal year. This mainly reflected an increase of 7,752 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.”

(ii) Cash flows

Net cash inflows from operating activities were 11,762 million yen (compared with 13,490 million yen inflow in the same period of the previous fiscal year). The major factors affecting this were increases due to income before income taxes of 12,127 million yen and depreciation of 5,724 million yen, and decreases due to increase in notes and accounts receivable - trade of 2,013 million yen, decrease in notes and accounts payable - trade of 4,867 million yen, and income taxes paid of 2,870 million yen.

Net cash outflows from investing activities were 4,385 million yen (compared with 4,300 million yen outflow in the same period of the previous fiscal year). The major factor affecting this was purchase of property, plant and equipment and intangible assets of 4,178 million yen.

Net cash outflows from financing activities were 5,383 million yen (compared with 4,782 million yen inflow in the same period of the previous fiscal year). The major factors affecting this were repayments of finance lease obligations of 1,488 million yen and cash dividends paid of 2,586 million yen.

As a result, cash and cash equivalents at the end of the second quarter of the fiscal year ending April 30, 2022 amounted to

110,067 million yen, increased by 2,303 million yen from the end of previous fiscal year.

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

At the time of the announcement of the full-year consolidated financial results forecast on June 1, 2021, vaccinations against the novel coronavirus disease (COVID-19) had started, and although it was uncertain when COVID-19 would subside, we anticipated that consumer sentiment would recover to a certain degree. However, as the recovery of consumer sentiment, which had declined as a result of people refraining from going out for long period of time, was weaker than expected, and as the bad weather in August and September had a particularly significant impact on the sales of beverage products, we have revised our full-year consolidated financial results forecast as follows. 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.

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share (common stock)
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	410,000	20,000	19,800	12,800	102.84
The revised forecasts (B)	403,100	20,000	19,800	12,800	102.84
Differences (B-A)	(6,900)	–	–	–	–
Changes (%)	(1.7)	–	–	–	–
(Reference) Previous fiscal year results 4/30/2021	446,281	16,675	17,029	7,011	55.10

Regarding the above figures, 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 the said accounting standard, etc.

If net sales are calculated using the same standards as those for the fiscal year ended April 30, 2021, net sales are expected to increase by 4.1%.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2021 and October 31, 2021

(Millions of yen)

	As of April 30, 2021	As of October 31, 2021
Assets		
Current assets		
Cash and deposits	109,430	111,952
Notes and accounts receivable - trade	53,137	55,381
Merchandise and finished goods	35,177	35,258
Raw materials and supplies	10,255	12,479
Other	15,982	12,508
Allowance for doubtful accounts	(103)	(113)
Total current assets	223,880	227,466
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,887	20,571
Land	22,060	22,284
Leased assets, net	12,206	10,898
Other, net	22,944	22,998
Total property, plant and equipment	78,099	76,753
Intangible assets		
Goodwill	4,625	4,104
Other	3,710	4,010
Total intangible assets	8,335	8,114
Investments and other assets		
Other	22,885	23,262
Allowance for doubtful accounts	(135)	(134)
Total investments and other assets	22,749	23,127
Total non-current assets	109,184	107,996
Total assets	333,065	335,462
Liabilities		
Current liabilities		
Accounts payable - trade	29,999	25,249
Short-term loans payable	25,004	24,604
Lease obligations	2,966	2,618
Accrued expenses	24,858	25,490
Income taxes payable	3,453	4,914
Provision for bonuses	3,543	3,413
Other	3,723	4,237
Total current liabilities	93,548	90,529
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	55,858	55,603
Lease obligations	5,023	4,745
Net defined benefit liability	11,000	11,180
Other	4,577	4,794
Total non-current liabilities	86,459	86,324
Total liabilities	180,007	176,853

Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2021	As of October 31, 2021
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,660	18,662
Retained earnings	123,679	128,520
Treasury shares	(6,466)	(6,441)
Total shareholders' equity	155,785	160,653
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,956	1,894
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	217	994
Remeasurements of defined benefit plans	(133)	(155)
Total accumulated other comprehensive income	(4,012)	(3,320)
Share acquisition rights	148	117
Non-controlling interests	1,136	1,158
Total net assets	153,057	158,609
Total liabilities and net assets	333,065	335,462

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to October 31, 2020 and 2021

Quarterly Consolidated Statement of Income [Second quarter period]

(Millions of yen)

	Six months ended October 31, 2020	Six months ended October 31, 2021
Net sales	236,585	208,716
Cost of sales	124,109	126,247
Gross profit	112,475	82,469
Selling, general and administrative expenses	103,864	71,612
Operating income	8,610	10,856
Non-operating income		
Interest income	40	42
Dividend income	36	45
Share of profit of entities accounted for using equity method	38	109
Foreign exchange gains	—	262
Other	280	360
Total non-operating income	396	819
Non-operating expenses		
Interest expenses	210	237
Foreign exchange losses	312	—
Other	167	135
Total non-operating expenses	689	373
Ordinary income	8,317	11,303
Extraordinary income		
Gain on sales of non-current assets	3	9
Gain on donation of non-current assets	2	13
Subsidy income	739	1,153
Compensation income	87	—
Total extraordinary income	832	1,175
Extraordinary losses		
Loss on sales of non-current assets	—	68
Loss on abandonment of non-current assets	69	76
Loss on valuation of investment securities	4	11
Impairment loss	488	129
Loss on disaster	9	0
Loss on COVID-19 impact	378	55
Other	111	10
Total extraordinary losses	1,061	351
Income before income taxes	8,088	12,127
Income taxes	3,357	4,192
Net income	4,730	7,934
Profit attributable to non-controlling interests	134	182
Profit attributable to owners of parent	4,596	7,752

Quarterly Consolidated Statement of Comprehensive Income [Second quarter period]

(Millions of yen)

	Six months ended October 31, 2020	Six months ended October 31, 2021
Net income	4,730	7,934
Other comprehensive income		
Valuation difference on available-for-sale securities	132	(51)
Foreign currency translation adjustment	(251)	784
Remeasurements of defined benefit plans, net of tax	120	(22)
Share of other comprehensive income of entities accounted for using equity method	9	8
Total other comprehensive income	10	718
Comprehensive income	4,741	8,653
Comprehensive income attributable to owners of parent	4,597	8,444
Comprehensive income attributable to non- controlling interests	143	208

(3) Quarterly Consolidated Statements of Cash Flows

For the six months ended October 31, 2020 and 2021 (May 1, 2020 - October 31, 2020 and May 1, 2021 - October 31, 2021)

(Millions of yen)

	Six months ended October 31, 2020	Six months ended October 31, 2021
Cash flows from operating activities		
Income before income taxes	8,088	12,127
Depreciation	6,226	5,724
Impairment loss	488	129
Amortization of goodwill	633	529
Increase (decrease) in provision for bonuses	(116)	(129)
Increase (decrease) in net defined benefit liability	326	147
Subsidy income	(739)	(1,153)
Loss on disaster	9	0
Interest and dividend income	(76)	(87)
Interest expenses	210	237
Foreign exchange losses (gains)	276	(175)
Loss on abandonment of non-current assets	69	76
Decrease (increase) in notes and accounts receivable - trade	(4,601)	(2,013)
Decrease (increase) in inventories	687	(1,885)
Decrease (increase) in other current assets	2,102	3,270
Increase (decrease) in notes and accounts payable - trade	(168)	(4,867)
Increase (decrease) in accrued consumption taxes	202	268
Increase (decrease) in other current liabilities	2,283	1,260
Other, net	(89)	200
Subtotal	15,812	13,659
Interest and dividend income received	92	55
Interest expenses paid	(210)	(235)
Income taxes paid	(2,944)	(2,870)
Subsidies received	739	1,153
Net cash provided by (used in) operating activities	13,490	11,762
Cash flows from investing activities		
Net decrease (increase) in time deposits	(305)	(169)
Purchase of property, plant and equipment and intangible assets	(3,963)	(4,178)
Proceeds from sales of investment securities	1	1
Purchase of shares of subsidiaries and associates	(129)	(18)
Decrease (increase) in other investments	97	(19)
Net cash provided by (used in) investing activities	(4,300)	(4,385)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	(400)
Proceeds from long-term loans payable	10,173	-
Repayments of long-term loans payable	(701)	(705)
Purchase of treasury shares	(3)	(4)
Proceeds from disposal of treasury shares	0	0
Repayments of finance lease obligations	(1,983)	(1,488)
Cash dividends paid	(2,588)	(2,586)
Dividends paid to non-controlling interests	(5)	(189)
Other payments	(8)	(9)
Net cash provided by (used in) financing activities	4,782	(5,383)
Effect of exchange rate change on cash and cash equivalents	(38)	309
Net increase (decrease) in cash and cash equivalents	13,934	2,303
Cash and cash equivalents at beginning of period	63,710	107,763
Cash and cash equivalents at end of period	77,645	110,067

(4) 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 second 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 of the fiscal year ending April 30, 2022, 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 of the fiscal year ending April 30, 2022 was added to or deducted from the opening balance of retained earnings of the first quarter, and thus the new accounting policy was applied from such opening balance.

For the first six months of the fiscal year under review, as a result of this change, net sales decreased by 32,324 million yen, cost of sales increased by 34 million yen, and selling, general and administrative expenses decreased by 32,477 million yen. Operating income, ordinary income and income before income taxes each increased by 119 million yen.

As of the end of the second quarter of the fiscal year ending April 30, 2022, merchandise and finished goods increased by 278 million yen, raw materials and supplies increased by 655 million yen, investments and other assets increased by 128 million yen, other current liabilities increased by 1,076 million yen, other non-current liabilities increased by 229 million yen, and retained earnings decreased by 243 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, etc.)

Segment Information

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

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

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	221,395	11,855	3,334	236,585	–	236,585
(2) Intersegment	160	4	1,583	1,748	(1,748)	–
Total net sales	221,555	11,860	4,918	238,334	(1,748)	236,585
Segment profits (losses)	9,893	(1,243)	330	8,980	(369)	8,610

Notes: i. The segment profits (losses) adjustment includes (494) million yen in amortization of goodwill and 124 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 six months of the fiscal year ending April 30, 2022 (May 1, 2021 – October 31, 2021)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	191,293	14,011	3,411	208,716	–	208,716
(2) Intersegment	192	6	1,391	1,589	(1,589)	–
Total net sales	191,486	14,017	4,802	210,306	(1,589)	208,716
Segment profits (losses)	10,728	115	322	11,166	(309)	10,856

Notes: i. The segment profits (losses) adjustment includes (494) million yen in amortization of goodwill and 184 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.