

Consolidated Financial Results

Under Japanese Standards for the First Quarter of the fiscal year ending April 30, 2023 (Unaudited)

Scheduled filing date of quarterly securities report: September 12, 2022

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, 2023 (May 1, 2022 - July 31, 2022)

(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 | |
| 7/31/2022 | 113,225 | 7.0% | 6,002 | -4.9% | 6,701 | 3.7% | 4,217 | -5.5% |
| 7/31/2021 | 105,775 | – | 6,312 | 49.7% | 6,461 | 62.2% | 4,464 | 124.0% |

Note 1: Comprehensive income 7/31/2022: 4,979 million yen (9.5%) 7/31/2021: 4,546 million yen (140.0%)

| | Earnings per share | Earnings per share (diluted) |
|-----------|--------------------|------------------------------|
| | Yen | Yen |
| 7/31/2022 | 34.86 | 34.78 |
| 7/31/2021 | 36.82 | 36.74 |

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 previous fiscal year, and each figure for the first three months of the fiscal year ended 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 three months 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 | |
| 7/31/2022 | 333,869 | 165,205 | 49.1% |
| 4/30/2022 | 328,359 | 163,012 | 49.2% |

Reference: Shareholders' equity 7/31/2022: 163,906 million yen 4/30/2022: 161,640 million yen

2. Dividends

| | Dividend per share | | | | |
|----------------------|--------------------|--------------------|-------------------|----------|-----------|
| | First quarter end | Second quarter end | Third quarter end | Year end | Full year |
| | Yen | Yen | Yen | Yen | Yen |
| 4/30/2022 | – | 20.00 | – | 20.00 | 40.00 |
| 4/30/2023 | – | | | | |
| 4/30/2023 (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, 2023 (May 1, 2022 - April 30, 2023)

(% 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 |
| 10/31/2022 | 220,100 | 5.5% | 11,600 | 6.8% | 11,500 | 1.7% | 7,100 | -8.4% | 57.21 |
| 4/30/2023 | 418,000 | 4.3% | 20,000 | 6.4% | 19,500 | -2.4% | 12,000 | -7.2% | 96.28 |

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.

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) 7/31/2022 89,212,380 shares 4/30/2022 89,212,380 shares

ii. Number of treasury stock 7/31/2022 1,000,952 shares 4/30/2022 1,004,852 shares

iii. Average number of shares during the period 7/31/2022 88,208,624 shares 7/31/2021 88,202,620 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 |
| 7/31/2022 | 34.86 | 34.78 |
| 7/31/2021 | 36.82 | 36.74 |

(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 |
| 4/30/2022 | – | 25.00 | – | 25.00 | 50.00 |
| 4/30/2023 | – | | | | |
| 4/30/2023 (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 |
| 10/31/2022 | 62.17 |
| 4/30/2023 | 106.20 |

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) | 7/31/2022 | 34,246,962 shares | 4/30/2022 | 34,246,962 shares |
| ii. Number of treasury stock | 7/31/2022 | 1,487,700 shares | 4/30/2022 | 1,487,570 shares |
| iii. Average number of shares during the period | 7/31/2022 | 32,759,377 shares | 7/31/2021 | 33,050,442 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, 2023 (May 1, 2022 - July 31, 2022), the Japanese economy remained in a tough situation due to the impact of factors that included concerns of a resurgence of the novel coronavirus disease (COVID-19), protraction of the Russia-Ukraine conflict, rising interest rates particularly in the United States combined with a sharply depreciating yen, and soaring costs of raw materials and energy.

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, 2023 was as follows.

| | |
|---|------------------------------|
| Net sales | 113,225 million yen, up 7.0% |
| Operating income | 6,002 million yen, down 4.9% |
| Ordinary income | 6,701 million yen, up 3.7% |
| Profit attributable to owners of parent | 4,217 million yen, down 5.5% |

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

Since the launch of “*Oi Ocha*” in 1989, the Company has been engaging in various initiatives under the concepts of “flavor,” “health,” “fun,” “the environment,” and “culture,” in hopes that a greater number of customers will become familiar with its delicious teas and come to enjoy them in even more settings.

Since May 2022, the Company has been gradually embarking on nationwide efforts to introduce environmentally friendly PET bottles that are approximately 26% lighter than conventional bottles, with respect to two-liter PET bottles used for the “*Oi Ocha*” brand. The Company will accordingly help bring about a sustainable society and environment by reducing its use of plastics and decreasing its carbon dioxide emissions.

Meanwhile, the Company and Fujitsu Limited have jointly developed AI-assisted image analysis technology that makes it possible to readily determine when to harvest tea leaves, underpinned by the aim of ensuring consistent procurement of reliable, safe, and premium-quality raw materials for green tea. Trial runs of the technology have been initiated at contract plantations of the Tea-Producing Region Development Project. Efforts are underway to verify the accuracy and practicality of the image recognition algorithm with sights set on fully deploying the technology beginning with next year’s new tea leaf harvest. The Company will do its best to address social issues including those that involve aging of producers and a lack of successors, enlisting technologies that strike a balance between reducing workloads and improving quality.

In other categories, the Company has been involved with the Nippon Yell Project for supporting Japanese agriculture since June 2021, reflecting its affinity with aspirations of the National Federation of Agricultural Cooperative Associations (JA ZEN-NOH) in seeking to extend the flavor and premium quality of Japan’s agricultural products to as many people as possible. In May 2022, the Company revamped “*Nippon Yell Miyazakiken-san Hyuuganatsu*,” which was developed jointly with JA ZEN-NOH to serve as a product of the Nippon Yell Project. The Company will contribute to increased recognition and consumption of domestic agricultural products by serving as a bridge that connects Japanese agriculture with consumers through its sales of products jointly developed with JA ZEN-NOH.

In addition, the Company serves as a “Health Creation Company” in developing products that offer substantial health benefits in seeking to act as an enterprise that supports enriched lifestyles of each and every person while contributing to health of its customers.

In June 2022, the Company launched summer limited release of its “*Mineral Plum*” beverage, which helps prevent heatstroke by enabling intake of sodium and citric acid ideal for midsummer. Given the increasing number of extremely hot days during the summer season in recent years, with record-high temperatures having been recorded in various locations, there has been growing interest among many people with respect to such beverages as a means of staving off heatstroke by replenishing fluids and minerals lost due to perspiration whether outdoors or indoors.

In July 2022, the Company released products in 125-milliliter paper carton single-serving sized packaging. This included the “*Ichinichibun no Yasai*” (a day’s worth of vegetables) 100% vegetable juice beverage that contains 350 grams of vegetables and provides a well-balanced supply of key nutrients, and also included the “*Gokugokunomeru Mainichi-ippai-no Aojiru Sukkiri Muto*” (highly palatable one glass of barley grass green juice a day completely sugar-free) delicious beverage for everyday consumption among even those who tend not to like *aojiru* drinks (a Japanese vegetable beverage most commonly made from kale or young barley grass). These offerings have been well received given that despite their small size they maintain the flavor of larger offerings while enabling consumers to gain just the right amount of nutritious value.

In July 2022, the Company began selling the “*Evian*” natural mineral water brand originating in the French Alps in bottles featuring the Snoopy character. This product provides the option of a new health routine in terms of drinking mineral water on hot summer days, enlisting the collaboration of *Evian* and Snoopy under the concept of encouraging people to “always have natural

calcium and magnesium close at hand.”

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 103,288 million yen, up 6.3% year on year, and operating income of 5,346 million yen, down 14.3% year on year.

<Restaurant Business>

Tully’s Coffee Japan Co., Ltd. encountered a favorable response from its launch of the “25th Anniversary Happy Bag” filled with limited-availability coffee beans and goods intended to convey gratitude toward loyal customers through products commemorating Tully’s Coffee Japan’s 25th anniversary since having opened its first store in Japan on August 7, 1997. In addition, Tully’s Coffee Japan also achieved favorable results from its “Gorotto Mango Yogurt Swirlkle®” seasonal frozen beverage providing enjoyment of the thick texture of large mango fruit given that each drink uses one whole serving of Chichiyasu “Additive-free Honey Yogurt” containing intestinal probiotic bifidobacteria. The total number of coffee shops at present is 759.

As a result of these activities, the Restaurant Business recorded net sales of 8,414 million yen, up 20.7% year on year, and operating income of 770 million yen, up 635.0% year on year.

<Others>

The Others recorded net sales of 1,522 million yen, down 6.7% year on year, and operating income of 47 million yen, down 61.2% year on year.

(2) Explanations Regarding Consolidated Financial Position

The following is a consolidated financial position for the first quarter of the fiscal year ending April 30, 2023.

Total assets as of July 31, 2022 stood at 333,869 million yen, increased by 5,510 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected a decrease of 7,242 million yen in “Cash and deposits,” an increase of 8,466 million yen in “Accounts receivable - trade,” an increase of 3,416 million yen in “Merchandise and finished goods” and an increase of 2,242 million yen in “Raw materials and supplies.”

Liabilities as of July 31, 2022 stood at 168,663 million yen, increased by 3,317 million yen from the end of the previous fiscal year. These changes in liabilities mainly reflected an increase of 4,858 million yen in “Accounts payable - trade,” an increase of 1,659 million yen in “Accrued expenses,” a decrease of 2,348 million yen in “Income taxes payable” and a decrease of 1,649 million yen in “Provision for bonuses.”

Net assets as of July 31, 2022 stood at 165,205 million yen, increased by 2,192 million yen from the end of the previous fiscal year. This mainly reflected an increase of 4,217 million yen in “Retained earnings” due to “Profit attributable to owners of parent,” and a decrease of 2,583 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, 2023, no changes have been made to the forecasts that were announced on June 1, 2022.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2022 and July 31, 2022

(Millions of yen)

| | As of April 30, 2022 | As of July 31, 2022 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 96,571 | 89,329 |
| Notes receivable - trade | 241 | 353 |
| Accounts receivable - trade | 57,774 | 66,241 |
| Merchandise and finished goods | 41,664 | 45,080 |
| Raw materials and supplies | 12,653 | 14,896 |
| Other | 14,555 | 13,067 |
| Allowance for doubtful accounts | (182) | (198) |
| Total current assets | 223,278 | 228,770 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 21,204 | 21,151 |
| Land | 22,837 | 22,985 |
| Leased assets, net | 8,268 | 7,628 |
| Other, net | 22,179 | 23,031 |
| Total property, plant and equipment | 74,490 | 74,796 |
| Intangible assets | | |
| Goodwill | 3,594 | 3,333 |
| Other | 4,655 | 4,850 |
| Total intangible assets | 8,249 | 8,184 |
| Investments and other assets | | |
| Other | 22,450 | 22,227 |
| Allowance for doubtful accounts | (109) | (108) |
| Total investments and other assets | 22,340 | 22,118 |
| Total non-current assets | 105,081 | 105,099 |
| Total assets | 328,359 | 333,869 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 30,365 | 35,224 |
| Short-term loans payable | 2,897 | 2,633 |
| Lease obligations | 2,371 | 2,458 |
| Accrued expenses | 26,948 | 28,607 |
| Income taxes payable | 4,948 | 2,599 |
| Provision for bonuses | 3,613 | 1,964 |
| Other | 5,652 | 5,556 |
| Total current liabilities | 76,796 | 79,044 |
| Non-current liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 58,917 | 59,225 |
| Lease obligations | 4,199 | 4,795 |
| Net defined benefit liability | 10,877 | 11,015 |
| Other | 4,555 | 4,583 |
| Total non-current liabilities | 88,549 | 89,619 |
| Total liabilities | 165,346 | 168,663 |

Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

| | As of April 30, 2022 | As of July 31, 2022 |
|---|----------------------|---------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 19,912 | 19,912 |
| Capital surplus | 18,662 | 18,663 |
| Retained earnings | 131,105 | 132,740 |
| Treasury shares | (7,016) | (7,001) |
| Total shareholders' equity | 162,664 | 164,314 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,202 | 1,285 |
| Revaluation reserve for land | (6,053) | (6,053) |
| Foreign currency translation adjustment | 3,738 | 4,265 |
| Remeasurements of defined benefit plans | 88 | 94 |
| Total accumulated other comprehensive income | (1,023) | (407) |
| Share acquisition rights | 117 | 101 |
| Non-controlling interests | 1,254 | 1,198 |
| Total net assets | 163,012 | 165,205 |
| Total liabilities and net assets | 328,359 | 333,869 |

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to July 31, 2021 and 2022

Quarterly Consolidated Statement of Income [First quarter period]

(Millions of yen)

| | Three months ended July 31, 2021 | Three months ended July 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 105,775 | 113,225 |
| Cost of sales | 63,411 | 70,239 |
| Gross profit | 42,363 | 42,986 |
| Selling, general and administrative expenses | 36,050 | 36,984 |
| Operating income | 6,312 | 6,002 |
| Non-operating income | | |
| Interest income | 21 | 36 |
| Dividend income | 42 | 54 |
| Share of profit of entities accounted for using equity method | 91 | 46 |
| Foreign exchange gains | 11 | 358 |
| Gain on prepaid card | 70 | 42 |
| Subsidy income | – | 243 |
| Other | 106 | 98 |
| Total non-operating income | 344 | 879 |
| Non-operating expenses | | |
| Interest expenses | 120 | 130 |
| Other | 75 | 50 |
| Total non-operating expenses | 195 | 180 |
| Ordinary income | 6,461 | 6,701 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 0 |
| Gain on donation of non-current assets | 13 | – |
| Subsidy income | 707 | – |
| Other | 0 | – |
| Total extraordinary income | 720 | 0 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 7 | – |
| Loss on abandonment of non-current assets | 23 | 70 |
| Impairment loss | 5 | 8 |
| Loss on valuation of investment securities | 1 | – |
| Loss on COVID-19 impact | 54 | – |
| Other | 9 | – |
| Total extraordinary losses | 102 | 79 |
| Income before income taxes | 7,079 | 6,622 |
| Income taxes | 2,496 | 2,323 |
| Net income | 4,583 | 4,299 |
| Profit attributable to non-controlling interests | 118 | 81 |
| Profit attributable to owners of parent | 4,464 | 4,217 |

Quarterly Consolidated Statement of Comprehensive Income [First quarter period]

(Millions of yen)

| | Three months ended July 31, 2021 | Three months ended July 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Net income | 4,583 | 4,299 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (95) | 112 |
| Foreign currency translation adjustment | 97 | 563 |
| Remeasurements of defined benefit plans, net of tax | (21) | 5 |
| Share of other comprehensive income of entities accounted for using equity method | (17) | (2) |
| Total other comprehensive income | (37) | 680 |
| Comprehensive income | 4,546 | 4,979 |
| Comprehensive income attributable to owners of parent | 4,412 | 4,832 |
| Comprehensive income attributable to non-controlling interests | 134 | 146 |

(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 ASU 2016-02, "Leases (Topic 842)")

Overseas subsidiaries subject to application of the U.S. GAAP have applied the Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)," effective from the beginning of the first quarter of the fiscal year ending April 30, 2023.

As a result, lessees are to recognize all leases as assets and liabilities on their consolidated balance sheets, in principle. As an accepted transitional measure for when applying this accounting standard, the Group adopted a method of recognizing cumulative effects of the application of this accounting standard on the date of its initial application.

As a result, in the quarterly consolidated balance sheet for the first quarter of the fiscal year ending April 30, 2023, "other" under property, plant and equipment has increased by 1,188 million yen, "lease obligations" under current liabilities has increased by 216 million yen, and "lease obligations" under non-current liabilities has increased by 985 million yen.

Application of the standard has a negligible impact on profit and loss for the first three months of the fiscal year ending April 30, 2023.

(Segment Information)

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

For the first three months of the fiscal year ended 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 | 6,240 | 104 | 121 | 6,466 | (154) | 6,312 |

Notes: i. The segment profits adjustment includes (247) million yen in amortization of goodwill and 93 million yen in intersegment transactions.
ii. Segment profits 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, 2023 (May 1, 2022 – July 31, 2022)

(Millions of yen)

| | Reporting Segment | | | | Adjustment | Total |
|------------------|--------------------------------|---------------------|--------|---------|------------|---------|
| | Tea leaves /Beverages Business | Restaurant Business | Others | Total | | |
| Net sales: | | | | | | |
| (1) Outside | 103,288 | 8,414 | 1,522 | 113,225 | – | 113,225 |
| (2) Intersegment | 97 | 0 | 774 | 873 | (873) | – |
| Total net sales | 103,386 | 8,415 | 2,297 | 114,098 | (873) | 113,225 |
| Segment profits | 5,346 | 770 | 47 | 6,163 | (161) | 6,002 |

Notes: i. The segment profits adjustment includes (247) million yen in amortization of goodwill and 85 million yen in intersegment transactions.
ii. Segment profits are adjusted to the operating income figure on the Quarterly Consolidated Statements of Income.