

Consolidated Financial Results

Under Japanese Standards for the Second Quarter of the fiscal year ending April 30, 2024 (Unaudited)

Scheduled filing date of quarterly securities report: December 14, 2023

Scheduled date of commencement of dividend payment: January 15, 2024

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, 2024 (May 1, 2023 - October 31, 2023)

(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	
10/31/2023	242,527	6.7%	17,046	50.4%	18,089	44.2%	11,209	41.5%
10/31/2022	227,262	8.9%	11,335	4.4%	12,548	11.0%	7,923	2.2%

Note 1: Comprehensive income 10/31/2023: 13,382 million yen (27.2%) 10/31/2022: 10,519 million yen (21.6%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
10/31/2023	91.01		90.82	
10/31/2022	64.14		64.01	

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

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
10/31/2023	353,714	182,932	51.3%
4/30/2023	338,774	172,128	50.4%

Reference: Shareholders' equity 10/31/2023: 181,340 million yen 4/30/2023: 170,589 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
4/30/2023	–	20.00	–	20.00	40.00
4/30/2024	–	21.00	–	–	–
4/30/2024 (Forecast)	–	–	–	21.00	42.00

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, 2024 (May 1, 2023 - April 30, 2024)

(% 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
4/30/2024	450,000	4.2%	23,200	18.4%	24,200	19.0%	14,700	14.1%	119.00

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 revisions to accounting standards: None

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

iii. Changes in accounting estimates: Yes

iv. Restatements: None

Note: For further details, please refer to the section of “(4) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Estimates)” of “2. Quarterly Consolidated Financial Statements and Main Notes” on page 9 of the attached material.

(4) Number of issued shares (common stock)

i. Number of issued shares (including treasury stock) 10/31/2023 89,212,380 shares 4/30/2023 89,212,380 shares

ii. Number of treasury stock 10/31/2023 942,578 shares 4/30/2023 976,571 shares

iii. Average number of shares outstanding during the period 10/31/2023 88,249,451 shares 10/31/2022 88,220,661 shares

Note: The above “Number of issued shares” pertains to Common Stock. For “Number of issued 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 – cumulative

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
10/31/2023	97.02	96.83
10/31/2022	69.14	69.01

(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
4/30/2023	–	25.00	–	25.00	50.00
4/30/2024	–	27.00			
4/30/2024 (Forecast)			–	27.00	54.00

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
4/30/2024	131.00

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

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

i. Number of issued shares (including treasury stock)	10/31/2023	34,246,962 shares	4/30/2023	34,246,962 shares
ii. Number of treasury stock	10/31/2023	1,442,285 shares	4/30/2023	1,489,535 shares
iii. Average number of shares outstanding during the period	10/31/2023	32,757,260 shares	10/31/2022	32,759,180 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, 2024 (May 1, 2023 – October 31, 2023), the Japanese economy exhibited signs of a gradual recovery due to factors such as recovery of foot traffic, the improvement in the employment and income environment, and the increase in inbound demand from overseas tourism, with the reclassification of the novel coronavirus disease (COVID-19) to Class 5. However, certain conditions continue to present an uncertain outlook, such as the impact of sustained high energy prices and the cost of raw materials in conjunction with sharp depreciation of the yen.

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, 2024 was as follows.

Net sales	242,527 million yen, up 6.7%
Operating income	17,046 million yen, up 50.4%
Ordinary income	18,089 million yen, up 44.2%
Profit attributable to owners of parent	11,209 million yen, up 41.5%

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

Since the launch of the “*Oi Ocha*” brand in 1989, it has won strong support from a large number of consumers, with cumulative sales surpassing 40 billion bottles, and the Company is working to increase the value of the brand even further.

In coordination with “*Japanese Tea Day*,” we held the “*Japanese Tea Day Oi Ocha Grand Tea Ceremony*” on October 1. This enormous event, which gave people intimate experience of tea culture by introducing the appeal, deliciousness and joy of tea from the many tea growing districts of Japan, was held at roughly 400 locations in all 47 prefectures across Japan. We used this event as a fresh opportunity to highlight the many values that *ocha=tea* holds, such as the appeal, deliciousness and joy of tea, to our customers by allowing them to experience a variety of activities related to tea and tea etiquette.

In October, the Company launched “*Oi Ocha MATCHA SHOT*,” a food with function claims that achieves unprecedented richness among the “*Oi Ocha*” brand. This product contains gallate catechins, which promote reducing body fat in people with a high BMI and improving their BMI, along with theanine and tea catechins, which are reported to have the function of improving accuracy of attentiveness and judgment, which are some of the cognitive functions that degrade with age.

Also in October, we launched “*Oi Ocha with Matcha*,” a food with function claims, under the same brand. This product is a green tea beverage containing matcha that has been prepared in a way to bring out the richness of green tea and matcha with a pleasant taste for drinking regularly. It contains L-Theanine, a functional substance associated with temporary relief of work-related stress. Through the sale of these products, we are supporting the health of our customers while promoting the health value and deliciousness of tea.

In September, we launched the unsweetened “*TULLY’S COFFEE ESPRESSO BASE Muto*” and the mildly sweetened “*TULLY’S COFFEE ESPRESSO BASE Amasa Hikaeme*,” a new concentrate-type beverage 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 concentrate-type coffee beverage offers a drinking experience of powerful full-bodied flavor and aroma. It has been concentrated from espresso that has used select fragrant and richly flavorsome coffee beans. The Company continues to aim to further enhance the value of the *TULLY’S COFFEE* brand through proposing products catering to our customers’ diverse lifestyles, preferences and beverage needs.

As part of our initiatives related to decarbonization, we have chosen the ELF EV electric light truck manufactured by Isuzu Motors Limited to function as a “Bottle Car,” our sales vehicle for carrying beverage products, etc., and commencing October this year, we have started rolling out the world-first, unique “EV Bottle Car (light-weight tea-dreg resin compound panel edition),” which has the cargo area constructed with composite resin panels containing used tea leaves. The Company has adopted a business model of local frontline-driven sales, and we have about 3,350 vehicles (the Bottle Car included) currently in operation. As an initiative that has been ongoing for a while to reduce CO₂ emissions from vehicles, we have been working to maximize eco-driving and improve the efficiency of our route planning. Now that we are proactively introducing the EV Bottle Car, we will work to solve global environmental problems and enhance corporate value at the same time.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 219,024 million yen, up 5.7% year on year, and operating income of 15,406 million yen, up 49.7% year on year.

<Restaurant Business>

Tully’s Coffee Japan Co., Ltd. sold “*OIMO Latte*,” “*OIMO Tea Shake*,” “*WAGURI Mont Blanc Latte*,” and “*WAGURI Mont Blanc Matcha Shake*,” which are seasonal drinks made using autumn ingredients. All of these seasonal items sold well to exuberant reception. In addition, in September, inspired by one of its management philosophies, namely “We will help children

and youth to achieve their dreams and goals in order to support their growth,” Tully’s Coffee Japan launched sales of the award-winning picture books of its project “TULLY’S Picture Book Award,” which began from the wish to discover and support picture book authors and to provide inspiration for dreams and hopes to the children reading the books. Regarding newly opened stores, the number of &TEA stores, which has a business format specializing in black tea, grew to 24 stores. The total number of shops as of October 31, 2023, is 777.

As a result of these activities, the Restaurant Business recorded net sales of 19,629 million yen, up 15.7% year on year, and operating income of 1,794 million yen, up 34.4% year on year.

<Others>

The Others recorded net sales of 3,874 million yen, up 24.8% year on year, and operating income of 166 million yen, up 381.7% year on year.

(2) Explanations Regarding Consolidated Financial Position

(i) Assets, liabilities and net assets

The following is a consolidated financial position at the end of the second quarter of the fiscal year ending April 30, 2024.

Total assets as of October 31, 2023 stood at 353,714 million yen, increased by 14,939 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected an increase of 9,955 million yen in “Cash and deposits,” an increase of 3,752 million yen in “Accounts receivable - trade,” an increase of 1,615 million yen in “Raw materials and supplies” and a decrease of 3,182 million yen in “Merchandise and finished goods.”

Liabilities as of October 31, 2023 stood at 170,781 million yen, increased by 4,135 million yen from the end of the previous fiscal year. These changes in liabilities mainly reflected an increase of 1,923 million yen in “Accounts payable - trade” and an increase of 1,725 million yen in “Income taxes payable.”

Net assets as of October 31, 2023 stood at 182,932 million yen, increased by 10,804 million yen from the end of the previous fiscal year. This mainly reflected an increase of 11,209 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.”

(ii) Cash flows

Net cash inflows from operating activities were 18,889 million yen (compared with 10,772 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 17,304 million yen, depreciation of 4,199 million yen, decrease in inventories of 3,085 million yen and increase in notes and accounts payable - trade of 1,597 million yen, and decreases due to increase in notes and accounts receivable - trade of 3,071 million yen and income taxes paid of 4,166 million yen.

Net cash outflows from investing activities were 5,053 million yen (compared with 4,058 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 5,287 million yen.

Net cash outflows from financing activities were 5,352 million yen (compared with 4,842 million yen outflow in the same period of the previous fiscal year). The major factors affecting this were repayments of finance lease obligations of 1,031 million yen and cash dividends paid of 2,580 million yen.

As a result, cash and cash equivalents at the end of the second quarter of the fiscal year ending April 30, 2024 amounted to 110,596 million yen, increased by 9,697 million yen from the end of previous fiscal year.

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

As for the consolidated business outlook for the fiscal year ending April 30, 2024, no changes have been made to the forecasts that were announced in “Notice of Revision of Earnings Forecasts (Consolidated and Non-consolidated)” on November 29, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2023 and October 31, 2023

(Millions of yen)

	As of April 30, 2023	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	104,181	114,136
Notes receivable - trade	75	111
Accounts receivable - trade	60,120	63,873
Merchandise and finished goods	44,767	41,584
Raw materials and supplies	12,880	14,495
Other	12,650	13,656
Allowance for doubtful accounts	(281)	(331)
Total current assets	234,393	247,527
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,093	22,296
Land	22,979	23,229
Leased assets, net	6,075	5,398
Other, net	21,857	22,555
Total property, plant and equipment	72,005	73,479
Intangible assets		
Goodwill	2,528	1,997
Other	5,742	6,062
Total intangible assets	8,270	8,060
Investments and other assets		
Other	24,215	24,767
Allowance for doubtful accounts	(110)	(120)
Total investments and other assets	24,105	24,647
Total non-current assets	104,381	106,186
Total assets	338,774	353,714
Liabilities		
Current liabilities		
Accounts payable - trade	29,958	31,881
Current portion of bonds payable	10,000	10,000
Short-term loans payable	2,743	1,737
Lease obligations	2,135	1,885
Accrued expenses	29,519	30,509
Income taxes payable	4,367	6,092
Provision for bonuses	4,296	4,814
Other	6,206	7,060
Total current liabilities	89,226	93,982
Non-current liabilities		
Long-term loans payable	58,210	59,467
Lease obligations	3,662	3,063
Net defined benefit liability	10,810	8,031
Other	4,736	6,235
Total non-current liabilities	77,419	76,798
Total liabilities	166,646	170,781

Quarterly Consolidated Balance Sheet – Continued

(Millions of yen)

	As of April 30, 2023	As of October 31, 2023
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,558	18,551
Retained earnings	138,827	147,453
Treasury shares	(6,911)	(6,680)
Total shareholders' equity	170,386	179,236
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,693	1,803
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	4,132	6,044
Remeasurements of defined benefit plans	429	310
Total accumulated other comprehensive income	202	2,104
Share acquisition rights	134	118
Non-controlling interests	1,404	1,473
Total net assets	172,128	182,932
Total liabilities and net assets	338,774	353,714

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to October 31, 2022 and 2023

Quarterly Consolidated Statement of Income [Second quarter period]

(Millions of yen)

	Six months ended October 31, 2022	Six months ended October 31, 2023
Net sales	227,262	242,527
Cost of sales	142,051	148,156
Gross profit	85,211	94,371
Selling, general and administrative expenses	73,875	77,325
Operating income	11,335	17,046
Non-operating income		
Interest income	79	200
Dividend income	57	51
Share of profit of entities accounted for using equity method	65	115
Foreign exchange gains	842	713
Other	543	316
Total non-operating income	1,589	1,397
Non-operating expenses		
Interest expenses	263	236
Other	113	117
Total non-operating expenses	376	354
Ordinary income	12,548	18,089
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on donation of non-current assets	0	16
Gain on sales of investment securities	–	15
Total extraordinary income	3	34
Extraordinary losses		
Loss on sales of non-current assets	0	–
Loss on abandonment of non-current assets	128	98
Loss on valuation of investment securities	0	–
Impairment loss	244	639
Loss on revision of retirement benefit plan	–	80
Total extraordinary losses	373	818
Income before income taxes	12,178	17,304
Income taxes	4,077	5,884
Net income	8,101	11,420
Profit attributable to non-controlling interests	177	210
Profit attributable to owners of parent	7,923	11,209

Quarterly Consolidated Statement of Comprehensive Income [Second quarter period]

(Millions of yen)

	Six months ended October 31, 2022	Six months ended October 31, 2023
Net income	8,101	11,420
Other comprehensive income		
Valuation difference on available-for-sale securities	171	216
Foreign currency translation adjustment	2,233	1,953
Remeasurements of defined benefit plans, net of tax	11	(119)
Share of other comprehensive income of entities accounted for using equity method	2	(87)
Total other comprehensive income	2,418	1,962
Comprehensive income	10,519	13,382
Comprehensive income attributable to owners of parent	10,276	13,111
Comprehensive income attributable to non-controlling interests	243	271

(3) Quarterly Consolidated Statement of Cash Flows

For the six months ended October 31, 2022 and 2023 (May 1, 2022 - October 31, 2022 and May 1, 2023 - October 31, 2023)

(Millions of yen)

	Six months ended October 31, 2022	Six months ended October 31, 2023
Cash flows from operating activities		
Income before income taxes	12,178	17,304
Depreciation	5,185	4,199
Impairment loss	244	639
Amortization of goodwill	537	539
Increase (decrease) in provision for bonuses	236	517
Increase (decrease) in net defined benefit liability	244	(3,031)
Interest and dividend income	(136)	(252)
Interest expenses	263	236
Foreign exchange losses (gains)	(519)	(475)
Loss on abandonment of non-current assets	128	98
Loss (gain) on sales of investment securities	-	(15)
Loss on revision of retirement benefit plan	-	80
Decrease (increase) in notes and accounts receivable - trade	(2,357)	(3,071)
Decrease (increase) in inventories	(1,916)	3,085
Decrease (increase) in other current assets	1,715	(883)
Increase (decrease) in notes and accounts payable - trade	(407)	1,597
Increase (decrease) in accrued consumption taxes	125	79
Increase (decrease) in other current liabilities	(283)	1,092
Increase (decrease) in other non-current liabilities	83	1,401
Other, net	90	(88)
Subtotal	15,413	23,053
Interest and dividend income received	139	239
Interest expenses paid	(263)	(237)
Income taxes paid	(4,516)	(4,166)
Net cash provided by (used in) operating activities	10,772	18,889
Cash flows from investing activities		
Net decrease (increase) in time deposits	(596)	(79)
Purchase of property, plant and equipment and intangible assets	(3,427)	(5,287)
Purchase of investment securities	(110)	(0)
Proceeds from sales of investment securities	1	28
Decrease (increase) in other investments	75	285
Net cash provided by (used in) investing activities	(4,058)	(5,053)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(365)	(810)
Repayments of long-term loans payable	(707)	(707)
Purchase of treasury shares	(1)	(2)
Proceeds from disposal of treasury shares	0	0
Repayments of finance lease obligations	(1,175)	(1,031)
Cash dividends paid	(2,581)	(2,580)
Dividends paid to non-controlling interests	(4)	(212)
Other payments	(8)	(9)
Net cash provided by (used in) financing activities	(4,842)	(5,352)
Effect of exchange rate change on cash and cash equivalents	1,351	1,215
Net increase (decrease) in cash and cash equivalents	3,222	9,697
Cash and cash equivalents at beginning of period	94,471	100,899
Cash and cash equivalents at end of period	97,694	110,596

(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 Estimates)

Among the Group's leased assets and tools, furniture and fixtures included in other of property, plant and equipment, vending machines were previously depreciated over an 8-year useful life. However, during the first quarter of the fiscal year ending April 30, 2024, the useful life was revised to 10 years, and has been changed prospectively.

The Group had been conducting performance improvements and periodic maintenance and so forth for vending machines. As a result, in the first quarter of the fiscal year ending April 30, 2024, a discrepancy emerged between the previous useful life and the projected economic useful life. Accordingly, it was deemed that allocating the cost over a 10-year period more appropriately reflected the actual status of the Group.

As a result, in comparison to the period before the application of this change, for the first six months of the fiscal year ending April 30, 2024, operating income, ordinary income and income before income taxes have increased by 787 million yen each.

The impact on segment information is stated in "(Segment Information, etc.)."

(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, 2023 (May 1, 2022 – October 31, 2022)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea Leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	207,195	16,962	3,104	227,262	–	227,262
(2) Intersegment	253	1	1,409	1,664	(1,664)	–
Total net sales	207,448	16,963	4,513	228,926	(1,664)	227,262
Segment profits	10,293	1,334	34	11,663	(327)	11,335

Notes: i. The segment profits adjustment includes (494) million yen in amortization of goodwill and 167 million yen in intersegment transactions.

ii. Segment profits are adjusted to the operating income figure on the Quarterly Consolidated Statement of Income.

For the first six months of the fiscal year ending April 30, 2024 (May 1, 2023 – October 31, 2023)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea Leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	219,024	19,629	3,874	242,527	–	242,527
(2) Intersegment	279	0	1,301	1,581	(1,581)	–
Total net sales	219,303	19,630	5,175	244,109	(1,581)	242,527
Segment profits	15,406	1,794	166	17,367	(321)	17,046

Notes: i. The segment profits adjustment includes (494) million yen in amortization of goodwill and 173 million yen in intersegment transactions.

ii. Segment profits are adjusted to the operating income figure on the Quarterly Consolidated Statement of Income.

2. Information regarding changes, etc. to reporting segments

As stated in “(Changes in Accounting Estimates),” among the Group’s leased assets and tools, furniture and fixtures included in other of property, plant and equipment, the useful life of vending machines was revised from 8 years to 10 years, and has been changed prospectively.

As a result of this change, in comparison to the previous method, segment profit for the Tea Leaves and Beverages Business in the first six months of the fiscal year ending April 30, 2024 has increased by 787 million yen.