

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



July 29, 2022

Company name: KEY COFFEE INC
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2594
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 Scheduled date of filing quarterly securities report: August 10, 2022
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|------|------------------|-------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2022 | 15,205 | 10.4 | 627 | 126.5 | 722 | 60.3 | 524 | 73.9 |
| June 30, 2021 | 13,773 | 16.5 | 277 | – | 451 | – | 301 | – |

(Note) Comprehensive income: Three months ended June 30, 2022: ¥564 million [75.2%]

Three months ended June 30, 2021: ¥322 million [–%]

| | Basic earnings per share | | Diluted earnings per share | |
|----------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Three months ended June 30, 2022 | 24.51 | | – | |
| June 30, 2021 | 14.09 | | – | |

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Equity ratio | |
|----------------------|--------------|--|-------------|--|--------------|--|
| | Million yen | | Million yen | | % | |
| As of June 30, 2022 | 44,793 | | 30,939 | | 68.4 | |
| As of March 31, 2022 | 43,429 | | 30,481 | | 69.5 | |

(Reference) Equity: As of June 30, 2022: ¥30,644 million

As of March 31, 2022: ¥30,204 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | | | | |
| Fiscal year ended March 31, 2022 | – | 5.00 | – | 5.00 | 10.00 |
| Fiscal year ending March 31, 2023 | – | | | | |
| Fiscal year ending March 31, 2023 (Forecast) | | 5.00 | – | 5.00 | 10.00 |

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | Profit per share |
|-----------|-------------|------|------------------|------|-----------------|--------|---|------------------|
| Full year | Million yen | % | Million yen | % | Million yen | % | Million yen | Yen |
| | 64,000 | 14.9 | 550 | 35.7 | 700 | (31.5) | 500 (32.7) | 23.35 |

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (Company name: –)
Excluded: – (Company name: –)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

| | |
|-----------------|-------------------|
| June 30, 2022: | 22,689,000 shares |
| March 31, 2022: | 22,689,000 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|-----------------|------------------|
| June 30, 2022: | 1,276,656 shares |
| March 31, 2022: | 1,277,756 shares |
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

| | |
|-----------------------------------|-------------------|
| Three months ended June 30, 2022: | 21,412,344 shares |
| Three months ended June 30, 2021: | 21,407,444 shares |

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (267,400 shares on June 30, 2022, 268,500 shares on March 31, 2022) held by Custody Bank of Japan, Ltd. (Trust Account E). In calculation of the average number of shares during the period, the number of treasury shares deducted includes the shares of the Company (267,400 shares on June 30, 2022, 272,300 shares on June 30, 2021) held by Custody Bank of Japan, Ltd. (Trust Account E).

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

- Forward-looking statements and other statements about the future that are included in this material are based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results and others may differ significantly due to various factors. For the assumptions for financial results forecast and precautions for using financial results forecasts, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 5 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022), although the Japanese economy continued to be affected by COVID-19, various restrictions were eased and there was a gradual trend toward normalization as the number of newly infected persons decreased. However, continued price hikes due to soaring resource and raw material prices against the backdrop of the ongoing rapid depreciation of the yen and the impact on the supply chain caused by the protracted Russia's aggression against Ukraine, as well as the current increase in the number of people infected with COVID-19 amid the seventh wave, leave the outlook uncertain.

In the coffee market, consumption in the HORECA market increased due to the easing of various requests for self-restraint associated with measures to prevent the spread of COVID-19. Meanwhile, consumption in the Household market slowed due to declining stay-at-home demand as a result of increased opportunities to go out, as well as increases in retail prices by manufacturers.

In addition, the coffee market price, which heavily influences KEY COFFEE's financial results, remained at a high level, roughly 150% of that in the previous fiscal year, due to a significant decrease in production in Brazil in the current fiscal year due to large-scale frost damage that occurred in the previous fiscal year, the continuing low level of certified inventories in the coffee futures market and the stagnation of the marine transportation network caused by container shortages. In addition, the foreign exchange market is experiencing an ongoing depreciation of the yen, and the outlook remains unpredictable.

Under these circumstances, the KEY COFFEE Group established the three pillars of "reforming the business structure," "strengthening profitability," and "reinforcing the comprehensive strengths of the Group," based on our long-held "quality-first principle," and engaged in the creation of new demand, developed products which meets the needs of consumers, and promoted solution-oriented business activities that contribute to the financial results of clients, in order to fulfill our corporate philosophy, to "pursue the ultimate in coffee, focus on our customers, and create a coffee culture which enriches the heart."

In addition, we have established "Coffee and KISSA as a Sustainable Company" as our new message for 2030 with the aim of keeping the coffee culture alive and realizing sustainable coffee production. As part of this, we established a new specialized department, "Future of Coffee Department," which promotes a wide range of operations, including collaboration with coffee-producing countries and the development of new coffee varieties.

Net sales for the KEY COFFEE Group for the three months ended June 30, 2022 were 15,205 million yen (a 10.4% increase compared with the same period of the previous fiscal year), operating profit was 627 million yen (a 126.5% increase compared with the same period of the previous fiscal year), and ordinary profit was 722 million yen (a 60.3% increase compared with the same period of the previous fiscal year). Profit attributable to owners of parent was 524 million yen (a 73.9% increase compared with the same period of the previous fiscal year).

<Consolidated Operating Results>

(Unit: Millions of yen)

| | Three months ended June 30, 2021 | Three months ended June 30, 2022 | Year-on-year increase (decrease) | Year-on-year percent increase (decrease) |
|---|----------------------------------|----------------------------------|----------------------------------|--|
| Net sales | 13,773 | 15,205 | 1,431 | 10.4% |
| Operating profit | 277 | 627 | 350 | 126.5% |
| Ordinary profit | 451 | 722 | 271 | 60.3% |
| Profit attributable to owners of parent | 301 | 524 | 223 | 73.9% |

An overview of segment operations is provided below.

(Unit: Millions of yen)

| Business segment | Net sales | | | Operating profit (loss) | | |
|-------------------------------|----------------------------------|----------------------------------|--|----------------------------------|----------------------------------|--|
| | Three months ended June 30, 2022 | Year-on-year increase (decrease) | Year-on-year percent increase (decrease) | Three months ended June 30, 2022 | Year-on-year increase (decrease) | Year-on-year percent increase (decrease) |
| Coffee-related businesses | 13,130 | 1,322 | 11.2 | 630 | 254 | 67.6% |
| Restaurant-related businesses | 927 | 56 | 6.5 | (49) | 53 | – |
| Other | 1,147 | 53 | 4.9 | 140 | 16 | 12.8% |
| Adjustment | – | – | – | (94) | 26 | – |
| Total | 15,205 | 1,431 | 10.4 | 627 | 350 | 126.5% |

(Note) Adjustment amounts are mainly the elimination of internal transactions between segments, adjustment amounts for inventories, and general and administrative expenses that do not belong to the reportable segments.

(Coffee-related businesses)

In the HORECA market, we promoted sales of highly differentiated coffees such as “Clé d’Or” series, a gourmet coffee brand made from carefully selected green coffee beans, TOARCO TORAJA, HYO-ON Aging Liquid Coffee, and certified coffees, and also strengthened and worked to expand sales of the commercial food items we handle. In addition, in order to acquire new customers, we launched a website introducing commercial products and services to restaurant operators and those planning to open restaurants.

As measures to revitalize our clients, we promoted both a monthly planning proposal offering limited quantities of superior-quality coffees from throughout the world, and the introduction of “COLD CREMA,” a new type of iced coffee, and as part of our seasonal sales promotion planning, we held a “Curry Fair” offering a range of recommended curries from our restaurants.

In addition, the Company opened one new “KEY’S CAFÉ,” our model cafe that can be opened in various location environments that we work on to offer aid in opening a cafe, bringing the number of introduced cafes to 73.

Sales increased compared to the same period of the previous fiscal year, due to the increased sales volume of coffee and commercial food items to consumers, partly as a result of eased restrictions on activities.

In the Household market, we completely renewed our flagship brands “GRAND TASTE” and “Liquid Coffee Tetra Prisma” series as spring and summer products. In addition, as an expansion of our brands under “KYOTO INODA COFFEE,” a long-established coffee shop in Kyoto with which we have a business alliance agreement, we introduced a total of six new products: “Original Blend, Mocha Blend,” “Organic Coffee KOTO-NO-AJIWAI BLEND” in the DRIP ON series, “Organic Coffee KOTO-NO-AJIWAI BLEND” FLEXIBLE PACK (Ground Coffee), and Liquid Iced Coffee “Non Sugar/Less Sugar.”

For gift items, we have lined up a total of 27 items for the mid-year gift season, including the DRIP ON series, the classic “HYO-ON Aging Liquid Coffee Gift” and “Beverage Assorted Gift,” and “Liquid Coffee & Drink Gift” that can be enjoyed by everyone from adults to children.

A revision to our shipping prices of roasted coffee bean products increased sales prices at stores and decreased sales volume, and as a result, sales slightly exceeded those for the same period of the previous fiscal year.

In the ingredient market, sales volume to clients recovered to around the same figure as the pre-COVID-19 level, and sales increased compared to the same period of the previous fiscal year.

Operating profit increased significantly compared with the same period of the previous fiscal year due to

higher sales in all markets and continued efforts in cost containment, such as labor and fixed costs.

Consequently, in the three months ended June 30, 2022, net sales for our coffee-related businesses were 13,130 million yen (an 11.2% increase compared with the same period of the previous consolidated fiscal year), and operating profit was 630 million yen (a 67.6% increase compared with the same period of the previous consolidated fiscal year).

(Restaurant-related businesses)

Italian Tomato Co., Ltd. worked to enhance our ability to attract customers by strengthening the product appeal of our morning, lunch, and other time-of-day menus, introducing monthly limited-edition drink and food menus, and offering drinks using cherry blossom jelly and lemons from Setouchi, and pasta using ingredients such as whitebait and natural red shrimp from Suruga Bay.

In response to demand for takeout, we strived to improve convenience by expanding the number of stores offering delivery services with home delivery operators, and introducing “EPARK,” a prepaid order delivery service. In addition, we focused on openings of limited-time-only stores in train stations and exhibition halls at department stores, and online sales of frozen cakes through a mail-order website specializing in cakes.

On the management front, we worked to improve productivity and reduce waste loss by assigning personnel and ordering and managing foodstuffs in response to changes in sales conditions, and promoted optimization of labor and raw material costs. In addition, due to soaring raw material prices, we revised prices of our coffee and drink menus to secure profits.

In store development, we reopened the existing “ITALIAN TOMATO Cafe Jr.” store in AEON MALL Atsuta as a new brand store “Caffè ITALIAN TOMATO.” In addition, we newly opened one directly managed store and one franchise store, and proceeded with the liquidation of unprofitable stores that are unlikely to recover profitability, resulting in a total of 157 stores (53 directly managed stores and 104 franchise stores).

Regarding our financial results, net sales exceeded the results for the same period of the previous fiscal year due to factors such as an increase in the flow of people as a result of eased restrictions on activities, and a decrease in the number of stores that refrained from operating compared with the previous fiscal year. In terms of profits, we recorded an operating loss despite improvements achieved through the continued introductions of high-value-added menus and efforts to strengthen control of labor and raw material costs.

Consequently, in the three months ended June 30, 2022, net sales in the restaurant-related businesses were 927 million yen (a 6.5% increase compared with the same period of the previous consolidated fiscal year), and operating loss was 49 million yen (operating loss was 103 million yen in the same period of the previous consolidated fiscal year). As non-operating income, 27 million yen was recorded in subsidy income from various municipalities related to reduced operating hours.

(Other)

Honu KATO COFFEE Inc., which operates an e-commerce business, maintained sales on par with the strong performance of the same period of the previous fiscal year, as a result of efforts to strengthen contact points with customers, including by participating in live demonstration sales events sponsored by major malls. In terms of profits, we strived to secure appropriate profits by revising prices and reducing sales promotion costs amid soaring green coffee bean market prices and increases in various other costs. However, profits decreased slightly.

Nic Foods Co., Ltd. posted a significant increase in orders, mainly for beverages, due to increased demand in the HORECA market as a result of the easing of restrictions on activities imposed due to COVID-19, an early end to the rainy season, and rising temperature, and sales rose compared with the same period of the previous fiscal year. In terms of profits, in addition to sales growth, we made efforts to reduce product costs and optimize SG&A expenses, and also reflected rising raw material prices and energy costs in price revisions, resulting in a significant increase in profits.

Consequently, in the three months ended June 30, 2022, net sales for other businesses were 1,147 million yen (a 4.9% increase compared with the same period of the previous consolidated fiscal year) and operating

profit was 140 million yen (a 12.8% increase compared with the same period of the previous consolidated fiscal year).

(2) Explanation of Financial Position

(Assets)

Total assets increased by 1,363 million yen from the end of the previous consolidated fiscal year to 44,793 million yen.

Current assets increased by 1,223 million yen to 27,616 million yen. This was primarily due to increases in cash and deposits (up 124 million yen), notes and accounts receivable – trade (up 554 million yen), and merchandise and finished goods (up 527 million yen).

Non-current assets increased by 140 million yen to 17,176 million yen. Property, plant and equipment increased by 61 million yen, intangible assets increased by 73 million yen, and investments and other assets increased by 5 million yen.

(Liabilities)

Liabilities increased by 905 million yen from the end of the previous consolidated fiscal year to 13,853 million yen.

Current liabilities increased by 910 million yen from the end of the previous consolidated fiscal year to 11,877 million yen. This was primarily due to an increase in notes and accounts payable – trade (up 1,735 million yen) and a decrease in accounts payable – other (down 500 million yen).

Non-current liabilities decreased by 5 million yen to 1,976 million yen.

(Net assets)

Net assets increased by 458 million yen from the end of the previous consolidated fiscal year to 30,939 million yen. This was primarily due to an increase in retained earnings (up 416 million yen).

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

At this time, there are no changes with regard to the financial results forecast for the fiscal year ending March 31, 2023, which was announced on May 16, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,443 | 5,567 |
| Notes and accounts receivable - trade | 11,625 | 12,179 |
| Merchandise and finished goods | 2,474 | 3,001 |
| Work in process | 194 | 254 |
| Raw materials and supplies | 5,976 | 6,086 |
| Other | 758 | 603 |
| Allowance for doubtful accounts | (79) | (77) |
| Total current assets | 26,393 | 27,616 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,099 | 4,113 |
| Machinery, equipment and vehicles, net | 1,269 | 1,291 |
| Land | 6,570 | 6,570 |
| Other, net | 590 | 615 |
| Total property, plant and equipment | 12,530 | 12,591 |
| Intangible assets | | |
| Goodwill | 115 | 151 |
| Other | 539 | 577 |
| Total intangible assets | 655 | 728 |
| Investments and other assets | | |
| Investment securities | 2,716 | 2,748 |
| Long-term loans receivable | 37 | 35 |
| Deferred tax assets | 109 | 78 |
| Guarantee deposits | 767 | 772 |
| Other | 384 | 382 |
| Allowance for doubtful accounts | (165) | (161) |
| Total investments and other assets | 3,850 | 3,856 |
| Total non-current assets | 17,036 | 17,176 |
| Total assets | 43,429 | 44,793 |

(Million yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,972 | 8,707 |
| Short-term borrowings | 82 | 39 |
| Accounts payable - other | 2,185 | 1,685 |
| Income taxes payable | 259 | 134 |
| Provision for bonuses | 321 | 182 |
| Other | 1,145 | 1,128 |
| Total current liabilities | 10,966 | 11,877 |
| Non-current liabilities | | |
| Deferred tax liabilities | 141 | 190 |
| Deferred tax liabilities for land revaluation | 478 | 478 |
| Provision for share awards | 47 | 50 |
| Other provisions | 3 | 3 |
| Retirement benefit liability | 486 | 463 |
| Asset retirement obligations | 434 | 440 |
| Other | 389 | 349 |
| Total non-current liabilities | 1,981 | 1,976 |
| Total liabilities | 12,948 | 13,853 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,628 | 4,628 |
| Capital surplus | 5,106 | 5,106 |
| Retained earnings | 25,317 | 25,734 |
| Treasury shares | (2,543) | (2,541) |
| Total shareholders' equity | 32,509 | 32,928 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 342 | 351 |
| Revaluation reserve for land | (2,736) | (2,736) |
| Foreign currency translation adjustment | (9) | 0 |
| Remeasurements of defined benefit plans | 98 | 101 |
| Total accumulated other comprehensive income | (2,304) | (2,283) |
| Non-controlling interests | 276 | 295 |
| Total net assets | 30,481 | 30,939 |
| Total liabilities and net assets | 43,429 | 44,793 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2021 | For the three months ended June 30, 2022 |
|---|---|---|
| Net sales | 13,773 | 15,205 |
| Cost of sales | 10,045 | 11,154 |
| Gross profit | 3,728 | 4,050 |
| Selling, general and administrative expenses | | |
| Advertising and sample expense | 210 | 224 |
| Packing and transportation costs | 624 | 607 |
| Vehicle expenses | 105 | 103 |
| Provision of allowance for doubtful accounts | 0 | – |
| Remuneration for directors (and other officers) | 69 | 65 |
| Salaries and bonuses | 1,087 | 1,102 |
| Provision for bonuses | 107 | 104 |
| Retirement benefit expenses | 32 | 28 |
| Welfare expenses | 187 | 183 |
| Rent expenses | 253 | 220 |
| Depreciation | 77 | 69 |
| Supplies expenses | 49 | 44 |
| Research and development expenses | 41 | 45 |
| Other | 603 | 623 |
| Total selling, general and administrative expenses | 3,450 | 3,423 |
| Operating profit | 277 | 627 |
| Non-operating income | | |
| Interest income | 0 | 0 |
| Dividend income | 8 | 9 |
| Share of profit of entities accounted for using equity method | 26 | 27 |
| Foreign exchange gains | 4 | 3 |
| Rental income from real estate | 16 | 15 |
| Subsidy income | 108 | 27 |
| Other | 18 | 17 |
| Total non-operating income | 183 | 101 |
| Non-operating expenses | | |
| Interest expenses | 1 | 1 |
| Rental expenses on real estate | 3 | 3 |
| Loss on cancellation of rental contracts | 4 | – |
| Other | 0 | 1 |
| Total non-operating expenses | 9 | 6 |
| Ordinary profit | 451 | 722 |

(Million yen)

| | For the three months ended June 30, 2021 | For the three months ended June 30, 2022 |
|--|---|---|
| Extraordinary income | | |
| Extraordinary losses | | |
| Impairment losses | 11 | – |
| Total extraordinary losses | 11 | – |
| Profit before income taxes | 439 | 722 |
| Income taxes - current | 36 | 94 |
| Income taxes - deferred | 84 | 85 |
| Total income taxes | 120 | 180 |
| Profit | 319 | 542 |
| Profit attributable to non-controlling interests | 17 | 17 |
| Profit attributable to owners of parent | 301 | 524 |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2021 | For the three months ended June 30, 2022 |
|---|---|---|
| Profit | 319 | 542 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (15) | 9 |
| Foreign currency translation adjustment | 8 | 10 |
| Remeasurements of defined benefit plans, net of tax | 9 | 2 |
| Share of other comprehensive income of entities accounted for using equity method | (0) | (1) |
| Total other comprehensive income | 2 | 21 |
| Comprehensive income | 322 | 564 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 303 | 545 |
| Comprehensive income attributable to non-controlling interests | 18 | 18 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information, etc.)

I For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Unit: Millions of yen)

| | Reportable segment | | | Others (Note 1) | Total | Adjustment (Note 2) | Amount recorded in Quarterly Consolidated Statements of Income (Note 3) |
|---|------------------------------|--------------------------------------|--------|--------------------|--------|------------------------|---|
| | Coffee-related businesses | Restaurant- related businesses | Total | | | | |
| Net sales | | | | | | | |
| Net sales to outside customers | 11,808 | 871 | 12,679 | 1,093 | 13,773 | — | 13,773 |
| Inter-segment net sales or transfers | 117 | 2 | 119 | 324 | 443 | (443) | — |
| Total | 11,926 | 873 | 12,799 | 1,417 | 14,217 | (443) | 13,773 |
| Segment income (loss) | 376 | (103) | 273 | 124 | 397 | (120) | 277 |

(Notes) 1. The "Other" section consists of business segments not included in reportable segments and includes beverage product manufacturing, office coffee service, e-commerce, transportation and logistics, and insurance agency businesses operated by consolidated subsidiaries.

2. The adjustment of negative 120 million yen to segment profit (loss) includes an elimination of internal transactions of negative 1 million yen, an inventories adjustment of 6 million yen, and corporate expenses not allocated to reportable segments of negative 125 million yen. Corporate expenses primarily consist of general expenses that do not belong to reportable segments.

3. Segment profit (loss) has been adjusted with operating profit in quarterly statements of income.

II For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Unit: Millions of yen)

| | Reportable segment | | | Others (Note 1) | Total | Adjustment (Note 2) | Amount recorded in Quarterly Consolidated Statements of Income (Note 3) |
|---|------------------------------|--------------------------------------|--------|--------------------|--------|------------------------|---|
| | Coffee-related businesses | Restaurant- related businesses | Total | | | | |
| Net sales | | | | | | | |
| Net sales to outside customers | 13,130 | 927 | 14,058 | 1,147 | 15,205 | — | 15,205 |
| Inter-segment net sales or transfers | 160 | 1 | 162 | 392 | 555 | (555) | — |
| Total | 13,290 | 929 | 14,220 | 1,540 | 15,760 | (555) | 15,205 |
| Segment income (loss) | 630 | (49) | 581 | 140 | 721 | (94) | 627 |

(Notes) 1. The “Other” section consists of business segments not included in reportable segments and includes beverage product manufacturing, office coffee service, e-commerce, transportation and logistics, and insurance agency businesses operated by consolidated subsidiaries.

2. The adjustment of negative 94 million yen to segment profit (loss) includes an elimination of internal transactions of negative 0 million yen, an inventories adjustment of 43 million yen, and corporate expenses not allocated to reportable segments of negative 137 million yen. Corporate expenses primarily consist of general expenses that do not belong to reportable segments.

3. Segment profit (loss) has been adjusted with operating profit in quarterly statements of income.

(Significant subsequent events)

Not applicable.