

Consolidated Financial Results

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

Scheduled filing date of quarterly securities report: March 13, 2023

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 Third Quarter of the Fiscal Year Ending April 30, 2023 (May 1, 2022 - January 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	
1/31/2023	328,454	8.2%	15,871	12.5%	16,518	12.7%	10,185	-1.5%
1/31/2022	303,626	–	14,111	35.2%	14,656	43.1%	10,338	79.7%

Note 1: Comprehensive income 1/31/2023: 10,666 million yen (-6.1%) 1/31/2022: 11,362 million yen (78.3%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
1/31/2023	82.83		82.66	
1/31/2022	83.90		83.71	

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 ended April 30, 2022, and each figure for the first nine 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 are calculated using the same standards as those for the first nine months of the fiscal year ended April 30, 2021, net sales increased by 3.3%.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
1/31/2023	321,815	168,330	51.9%
4/30/2022	328,359	163,012	49.2%

Reference: Shareholders' equity 1/31/2023: 166,925 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	–	20.00	–		
4/30/2023 (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, 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
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 revisions to 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 issued shares (common stock)

i. Number of issued shares (including treasury stock)	1/31/2023	89,212,380 shares	4/30/2022	89,212,380 shares
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ii. Number of treasury stock	1/31/2023	977,685 shares	4/30/2022	1,004,852 shares
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iii. Average number of shares outstanding during the period	1/31/2023	88,225,150 shares	1/31/2022	88,205,480 shares
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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
1/31/2023	87.83	87.66
1/31/2022	88.90	88.71

(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	–	25.00	–		
4/30/2023 (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
4/30/2023	106.20

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)	1/31/2023	34,246,962 shares	4/30/2022	34,246,962 shares
ii. Number of treasury stock	1/31/2023	1,488,490 shares	4/30/2022	1,487,570 shares
iii. Average number of shares outstanding during the period	1/31/2023	32,759,011 shares	1/31/2022	33,049,631 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 nine months of the fiscal year ending April 30, 2023 (May 1, 2022 - January 31, 2023), the Japanese economy remained in a tough situation due to the impact of protraction of the Russia-Ukraine conflict, increased risk of an economic downturn due to global fiscal tightening, and soaring costs of raw materials and energy, despite expectations for a recovery in business conditions due to various policies enacted in the era of life with the novel coronavirus disease (COVID-19).

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 nine months of the fiscal year ending April 30, 2023 was as follows.

Net sales	328,454 million yen, up 8.2%
Operating income	15,871 million yen, up 12.5%
Ordinary income	16,518 million yen, up 12.7%
Profit attributable to owners of parent	10,185 million yen, down 1.5%

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

In January 2023, the Company launched “*Oi Ocha Japanese Green Tea*,” “*Oi Ocha Roasted Green Tea*,” and “*Oi Ocha Green Tea with Roasted Rice*” with cherry blossom packaging adding color to the season together with the symbol of spring in Japan, “cherry blossom,” from Japan’s leading green tea beverage brand “*Oi Ocha*.” At the same time, the Company also launched “*Oi Ocha Japanese Green Tea*,” with cherry blossom packaging overseas (Shanghai, Taiwan, South Korea). The Company has been selling the seasonal “*Oi Ocha Japanese Green Tea*” with cherry blossom packaging, every spring since 2015, adding splendid colors to the sales floor and letting customers feel that spring has come. By launching the product simultaneously overseas, the Company aims to bring the coming of spring and the splendor of Japanese tradition abroad, while also improving the value and mindshare of the “*Oi Ocha*” brand.

This year is the fifth since the start of initiatives for the “Future Cherry Blossoms in My Town Project,” which is a project to plant and protect cherry trees, particularly around the “Japan’s Top 100 Cherry Blossoms Sites” throughout Japan. The Company is collaborating for activities of the project with the “Japan Cherry Blossom Association” based on a portion of the sales from “*Oi Ocha Japanese Green Tea*,” “*Oi Ocha Roasted Green Tea*,” and “*Oi Ocha Green Tea with Roasted Rice*” with cherry blossom packaging, in the hope that the cherry blossoms that have been loved since ancient times as a symbol of spring in Japan will “connect to the future and continue blossoming.”

In November 2022, the Company launched the winter limited “*Nippon Yell Melon & Milk*” (first project), “*TULLY’S & TEA Matcha Latte made from delicious matcha*,” “*TULLY’S & TEA Hojicha Latte made from delicious hojicha (roasted green tea)*,” “*TULLY’S & TEA Milk Tea made from delicious black tea leaves*” (second project), which are products developed jointly with the “Domestic Milk Support Project” started by the National Federation of Agricultural Cooperative Associations. In order to contribute to solving issues faced by Japanese dairy farmers, such as the need to increase consumption of domestic milk, the Company will participate in the “Domestic Milk Support Project” to support dairy farmers throughout Japan, and will serve as a bridge that connects Japanese agriculture with consumers, and contribute to increasing awareness and consumption of domestic agricultural and livestock products.

In November 2022, the Company launched “*Funwarikaoru Shizuoka Tea (Fluffy Fragrant Shizuoka Tea)*,” a product of tea leaves made only from Noufuku JAS-certified tea leaves, at its directly managed stores. Noufuku JAS is the “Noufuku Renkei” (“Agriculture and Well-being Partnership”) initiative that promotes social participation of people with disabilities, etc. by helping them build confidence and a sense of fulfillment through activities in the field of agriculture, and which standardizes production methods and labeling standards for agricultural, forestry, and marine products and processed foods made from these products made through the proactive involvement of people with disabilities. Through the sale of Noufuku JAS-certified products and the “Agriculture and Well-being Partnership,” which aims for a sustainable and inclusive society, the Company will promote its efforts to realize its materiality of “contributing to sustainable domestic agriculture” and “promoting diverse human resources and participation by all.”

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 297,388 million yen, up 7.7% year on year, and operating income of 14,263 million yen, up 6.8% year on year.

<Restaurant Business>

At Tully’s Coffee Japan Co., Ltd., strong performing items included “*Irish Latte*,” the seasonal limited beverage to brighten up the holiday season, and “*& TEA Pistachio & Berry Milk Tea*,” which uses pistachios, the popular ingredient known as the “Queen of Nuts.” The Company also developed “*Costa Rica La Minita Wetmill*” as a new standard type of beans, created in collaboration with a farm owned by the group company, Distant Lands Trading Co. The Costa Rican coffee has been well

received for its refined taste, defined by its refreshingness. The total number of coffee shops as of January 31, 2023, is 763.

As a result of these activities, the Restaurant Business recorded net sales of 26,431 million yen, up 16.7% year on year, and operating income of 2,144 million yen, up 160.6% year on year.

<Others>

The Others recorded net sales of 4,634 million yen, down 6.7% year on year, and operating loss of 36 million yen, compared with operating income of 402 million yen in the same period last year.

(2) Explanations Regarding Consolidated Financial Position

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

Total assets as of January 31, 2023 stood at 321,815 million yen, decreased by 6,544 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected an increase of 3,610 million yen in “Cash and deposits,” a decrease of 5,253 million yen in “Accounts receivable - trade,” an increase of 1,140 million yen in “Raw materials and supplies” and a decrease of 1,673 million yen in “Leased assets.”

Liabilities as of January 31, 2023 stood at 153,484 million yen, decreased by 11,862 million yen from the end of the previous fiscal year. These changes in liabilities mainly reflected a decrease of 5,521 million yen in “Accounts payable - trade,” a decrease of 2,805 million yen in “Income taxes payable” and a decrease of 1,786 million yen in “Provision for bonuses.”

Net assets as of January 31, 2023 stood at 168,330 million yen, increased by 5,317 million yen from the end of the previous fiscal year. This mainly reflected an increase of 10,185 million yen in “Retained earnings” due to “Profit attributable to owners of parent,” and a decrease of 5,166 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 January 31, 2023

(Millions of yen)

	As of April 30, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	96,571	100,181
Notes receivable - trade	241	69
Accounts receivable - trade	57,774	52,521
Merchandise and finished goods	41,664	42,163
Raw materials and supplies	12,653	13,793
Other	14,555	10,813
Allowance for doubtful accounts	(182)	(316)
Total current assets	223,278	219,226
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,204	20,733
Land	22,837	22,890
Leased assets, net	8,268	6,595
Other, net	22,179	21,947
Total property, plant and equipment	74,490	72,166
Intangible assets		
Goodwill	3,594	2,793
Other	4,655	5,347
Total intangible assets	8,249	8,140
Investments and other assets		
Other	22,450	22,392
Allowance for doubtful accounts	(109)	(111)
Total investments and other assets	22,340	22,280
Total non-current assets	105,081	102,588
Total assets	328,359	321,815
Liabilities		
Current liabilities		
Accounts payable - trade	30,365	24,844
Short-term loans payable	2,897	2,932
Lease obligations	2,371	2,234
Accrued expenses	26,948	26,141
Income taxes payable	4,948	2,142
Provision for bonuses	3,613	1,827
Other	5,652	5,310
Total current liabilities	76,796	65,432
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	58,917	58,043
Lease obligations	4,199	3,988
Net defined benefit liability	10,877	11,300
Other	4,555	4,719
Total non-current liabilities	88,549	88,051
Total liabilities	165,346	153,484

Quarterly Consolidated Balance Sheet – Continued

(Millions of yen)

	As of April 30, 2022	As of January 31, 2023
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,662	18,585
Retained earnings	131,105	136,124
Treasury shares	(7,016)	(6,914)
Total shareholders' equity	162,664	167,707
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,202	1,518
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	3,738	3,646
Remeasurements of defined benefit plans	88	105
Total accumulated other comprehensive income	(1,023)	(782)
Share acquisition rights	117	115
Non-controlling interests	1,254	1,289
Total net assets	163,012	168,330
Total liabilities and net assets	328,359	321,815

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to January 31, 2022 and 2023

Quarterly Consolidated Statement of Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2022	Nine months ended January 31, 2023
Net sales	303,626	328,454
Cost of sales	183,308	203,268
Gross profit	120,317	125,185
Selling, general and administrative expenses	106,206	109,313
Operating income	14,111	15,871
Non-operating income		
Interest income	63	150
Dividend income	72	91
Share of profit of entities accounted for using equity method	116	85
Foreign exchange gains	312	201
Gain on prepaid card	226	126
Subsidy income	–	271
Other	319	299
Total non-operating income	1,111	1,225
Non-operating expenses		
Interest expenses	354	397
Other	211	180
Total non-operating expenses	565	578
Ordinary income	14,656	16,518
Extraordinary income		
Gain on sales of non-current assets	9	2
Gain on donation of non-current assets	53	0
Subsidy income	1,959	–
Total extraordinary income	2,023	3
Extraordinary losses		
Loss on sales of non-current assets	68	0
Loss on abandonment of non-current assets	82	178
Loss on valuation of investment securities	15	0
Impairment loss	135	248
Loss on disaster	0	–
Loss on COVID-19 impact	72	–
Other	27	1
Total extraordinary losses	402	429
Income before income taxes	16,276	16,093
Income taxes	5,702	5,657
Net income	10,574	10,436
Profit attributable to non-controlling interests	235	251
Profit attributable to owners of parent	10,338	10,185

Quarterly Consolidated Statement of Comprehensive Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2022	Nine months ended January 31, 2023
Net income	10,574	10,436
Other comprehensive income		
Valuation difference on available-for-sale securities	(295)	281
Foreign currency translation adjustment	1,186	(137)
Remeasurements of defined benefit plans, net of tax	(23)	16
Share of other comprehensive income of entities accounted for using equity method	(79)	69
Total other comprehensive income	788	230
Comprehensive income	11,362	10,666
Comprehensive income attributable to owners of parent	11,062	10,426
Comprehensive income attributable to non-controlling interests	299	240

(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 third 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 third quarter of the fiscal year ending April 30, 2023, "other" under property, plant and equipment has increased by 1,044 million yen, "lease obligations" under current liabilities has increased by 214 million yen, and "lease obligations" under non-current liabilities has increased by 846 million yen.

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

(Segment Information, etc.)

Segment Information

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

For the first nine months of the fiscal year ended April 30, 2022 (May 1, 2021 – January 31, 2022)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea Leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	276,015	22,641	4,968	303,626	–	303,626
(2) Intersegment	293	10	2,026	2,330	(2,330)	–
Total net sales	276,309	22,652	6,994	305,956	(2,330)	303,626
Segment profits	13,352	822	402	14,577	(466)	14,111

Notes: i. The segment profits adjustment includes (741) million yen in amortization of goodwill and 275 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 nine months of the fiscal year ending April 30, 2023 (May 1, 2022 – January 31, 2023)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea Leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	297,388	26,431	4,634	328,454	–	328,454
(2) Intersegment	393	2	2,010	2,406	(2,406)	–
Total net sales	297,781	26,434	6,644	330,860	(2,406)	328,454
Segment profits	14,263	2,144	(36)	16,371	(499)	15,871

Notes: i. The segment profits adjustment includes (741) million yen in amortization of goodwill and 242 million yen in intersegment transactions.

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