

Consolidated Financial Results

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

Scheduled filing date of quarterly securities report: September 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 First Quarter of the Fiscal Year Ending April 30, 2024 (May 1, 2023 - July 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	
7/31/2023	121,154	7.0%	9,992	66.5%	10,536	57.2%	6,828	61.9%
7/31/2022	113,225	7.0%	6,002	-4.9%	6,701	3.7%	4,217	-5.5%

Note 1: Comprehensive income 7/31/2023: 7,846 million yen (57.6%) 7/31/2022: 4,979 million yen (9.5%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
7/31/2023	56.43		56.31	
7/31/2022	34.86		34.78	

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	
7/31/2023	347,370	177,207	50.6%
4/30/2023	338,774	172,128	50.4%

Reference: Shareholders' equity 7/31/2023: 175,752 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	–				
4/30/2024 (Forecast)		21.00	–	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
10/31/2023	232,000	2.1%	12,500	10.3%	12,600	0.4%	8,050	1.6%	64.91
4/30/2024	440,000	1.9%	21,000	7.2%	21,000	3.2%	13,500	4.7%	108.33

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 “(3) Notes to Quarterly Consolidated Financial Statements, (Changes in Accounting Estimates)” 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)	7/31/2023	89,212,380 shares	4/30/2023	89,212,380 shares
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ii. Number of treasury stock	7/31/2023	971,051 shares	4/30/2023	976,571 shares
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iii. Average number of shares outstanding during the period	7/31/2023	88,236,894 shares	7/31/2022	88,208,624 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

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2023	56.43	56.31
7/31/2022	34.86	34.78

(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	–				
4/30/2024 (Forecast)		27.00	–	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
10/31/2023	70.91
4/30/2024	120.33

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)	7/31/2023	34,246,962 shares	4/30/2023	34,246,962 shares
ii. Number of treasury stock	7/31/2023	1,490,025 shares	4/30/2023	1,489,535 shares
iii. Average number of shares outstanding during the period	7/31/2023	32,757,192 shares	7/31/2022	32,759,377 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, 2024 (May 1, 2023 - July 31, 2023), the Japanese economy continued making a gradual recovery due to the improvement in the employment and income environment. However, a downturn in overseas business conditions amid a protraction of the Russia-Ukraine conflict and continuing global fiscal tightening, etc. gave rise to a risk of downward pressure on business conditions in Japan, while the impact of rising prices and fluctuations in the financial and capital markets needed careful monitoring.

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, 2024 was as follows.

Net sales	121,154 million yen, up 7.0%
Operating income	9,992 million yen, up 66.5%
Ordinary income	10,536 million yen, up 57.2%
Profit attributable to owners of parent	6,828 million yen, up 61.9%

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.

Since late May 2023, the Company has been launching a series of “*Oi Ocha Japanese Green Tea*” beverage products in PET bottles using 100% tea leaves produced by the Tea-Producing Region Development Project. This project aims to realize stable supplies of green tea products and sustainable plantation operations through initiatives with tea farmers to produce high-quality domestic green tea raw materials.

Also in May the Company launched “*Oi Ocha Maroyaka*,” from the “*Oi Ocha*” brand, which was characterized by a fresh aroma and mild flavor. Two products have been developed: a PET bottle beverage that can be enjoyed anywhere at any time, and a tea bag product optimized for use with personal bottles. The Company has been carrying out Youth Projects (joint research) on the theme of “Infusing the Hearts of Youth with Green Tea” with university undergraduate and graduate students since 2019. “*Oi Ocha Maroyaka*” is a new green tea product developed together with the students from the flavor building stage as part of this initiative.

Also in May, we launched “*TULLY’S COFFEE BLACK&SODA GASSATA*,” a new sensation black coffee & carbonation product 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. “*GASSATA*” is an Italian word denoting carbonization. For over half a century, people in the Southern Italian region of Calabria have enjoyed drinking espresso coffee with carbonated water, a style of drinking that is unique to the south of the country. This product is a new sensation carbonated beverage with coffee, characterized by a clean and refreshing taste as the carbonation brings out the richness of the coffee. 100% arabica coffee beans are used for the raw materials, with carbonated water added to espresso coffee with a condensed delicious flavor. The packaging evokes the scene of an Italian bar, using a bright neon design on a black undertone. By communicating a new way to enjoy black coffee with the appeal of “Black Foam,” the product will deliver new value for black coffee.

Also in May, the Company revamped the “*Nippon Yell Miyazakiken-san Hyuuganatsu*” product developed jointly with the National Federation of Agricultural Cooperative Associations (JA ZEN-NOH) as a product of JA ZEN-NOH’s Nippon Yell Project to support Japanese agriculture. Looking ahead, as a participating company in the Nippon Yell Project Council, the Company will serve as a bridge that connects Japanese agriculture and consumers and contribute to increasing awareness and consumption of domestic agricultural and livestock products through the sale of products jointly developed with JA ZEN-NOH.

In June 2023, “*Kenko Mineral Mugicha*” (healthy mineral barley tea), a long-standing favorite among customers, received global No.1 status from Guinness World Records™, which recognized it as “the top-selling RTD barley tea brand (latest annual sales volume),” with cumulative sales exceeding 13 billion bottles (converted to 500 ml PET bottle equivalent) in April, when the brand marked the 35th anniversary of the launch of barley tea beverages in 1988. The barley tea beverage market continues to expand every year, and “*Kenko Mineral Mugicha*” has been a leading presence in the market, enjoying year-round support from a wide range of ages, from infants to the elderly. Looking ahead, the Company aims to win wide-ranging support for “*Kenko Mineral Mugicha*” as a beverage brand that can supplement water and minerals lost during physical exercise in a healthy way, under the brand vision, “Supporting customers’ efforts to achieve good health.”

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 109,760 million yen, up 6.3% year on year, and operating income of 9,144 million yen, up 71.0% year on year.

<Restaurant Business>

At Tully's Coffee Japan Co., Ltd., desserts such as "Fromage Banane" and "Mousse Orange," performed well. These sweets were the idea of a team of high school students who earned outstanding performance and the Tully's Award in an outstanding double feat at the Sweets Koshien contest to decide the best high school student pâtissier (sponsor: Sankei Shimbun Co., Ltd.). The sweets were developed as a collaboration project with the Sweets Koshien as an initiative to realize one of Tully's Coffee Japan's management philosophies, "We will help children and youth to achieve their dreams and goals in order to support their growth." As the weather became warmer, the Company launched five types of frozen drink in succession from May, and in July launched the seasonal beverage "Blood Orange & IZUMO Ginger Ale" as a carbonated drink to beat the heat, which was well received. In new store openings, the Company rolled out the new store format, "TULLY'S COFFEE -SELECT-," and publicized the new Tully's brand. The total number of coffee shops as of July 31, 2023, is 773.

As a result of these activities, the Restaurant Business recorded net sales of 9,626 million yen, up 14.4% year on year, and operating income of 953 million yen, up 23.8% year on year.

<Others>

The Others recorded net sales of 1,767 million yen, up 16.1% year on year, and operating income of 56 million yen, up 20.9% 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, 2024.

Total assets as of July 31, 2023 stood at 347,370 million yen, increased by 8,595 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected a decrease of 4,926 million yen in "Cash and deposits," an increase of 10,546 million yen in "Accounts receivable - trade," and an increase of 1,503 million yen in "Raw materials and supplies."

Liabilities as of July 31, 2023 stood at 170,162 million yen, increased by 3,516 million yen from the end of the previous fiscal year. These changes in liabilities mainly reflected an increase of 4,788 million yen in "Accounts payable - trade," an increase of 1,909 million yen in "Accrued expenses," a decrease of 2,166 million yen in "Provision for bonuses," and a decrease of 2,631 million yen in "Net defined benefit liability" due to the change in the retirement benefit plan, etc.

Net assets as of July 31, 2023 stood at 177,207 million yen, increased by 5,079 million yen from the end of the previous fiscal year. This mainly reflected an increase of 6,828 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, 2024, no changes have been made to the forecasts that were announced on June 1, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2023 and July 31, 2023

(Millions of yen)

	As of April 30, 2023	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	104,181	99,254
Notes receivable - trade	75	105
Accounts receivable - trade	60,120	70,666
Merchandise and finished goods	44,767	45,570
Raw materials and supplies	12,880	14,383
Other	12,650	13,095
Allowance for doubtful accounts	(281)	(303)
Total current assets	234,393	242,773
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,093	21,287
Land	22,979	23,011
Leased assets, net	6,075	5,688
Other, net	21,857	22,018
Total property, plant and equipment	72,005	72,006
Intangible assets		
Goodwill	2,528	2,263
Other	5,742	5,897
Total intangible assets	8,270	8,160
Investments and other assets		
Other	24,215	24,549
Allowance for doubtful accounts	(110)	(119)
Total investments and other assets	24,105	24,429
Total non-current assets	104,381	104,596
Total assets	338,774	347,370
Liabilities		
Current liabilities		
Accounts payable - trade	29,958	34,746
Current portion of bonds payable	10,000	10,000
Short-term loans payable	2,743	2,435
Lease obligations	2,135	1,995
Accrued expenses	29,519	31,429
Income taxes payable	4,367	3,648
Provision for bonuses	4,296	2,130
Other	6,206	7,332
Total current liabilities	89,226	93,717
Non-current liabilities		
Long-term loans payable	58,210	58,741
Lease obligations	3,662	3,312
Net defined benefit liability	10,810	8,178
Other	4,736	6,212
Total non-current liabilities	77,419	76,445
Total liabilities	166,646	170,162

Quarterly Consolidated Balance Sheet – Continued

(Millions of yen)

	As of April 30, 2023	As of July 31, 2023
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,558	18,554
Retained earnings	138,827	143,072
Treasury shares	(6,911)	(6,891)
Total shareholders' equity	170,386	174,647
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,693	1,823
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	4,132	5,022
Remeasurements of defined benefit plans	429	312
Total accumulated other comprehensive income	202	1,105
Share acquisition rights	134	142
Non-controlling interests	1,404	1,312
Total net assets	172,128	177,207
Total liabilities and net assets	338,774	347,370

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to July 31, 2022 and 2023

Quarterly Consolidated Statement of Income [First quarter period]

(Millions of yen)

	Three months ended July 31, 2022	Three months ended July 31, 2023
Net sales	113,225	121,154
Cost of sales	70,239	73,425
Gross profit	42,986	47,729
Selling, general and administrative expenses	36,984	37,737
Operating income	6,002	9,992
Non-operating income		
Interest income	36	86
Dividend income	54	49
Share of profit of entities accounted for using equity method	46	46
Foreign exchange gains	358	379
Gain on prepaid card	42	54
Subsidy income	243	0
Other	98	96
Total non-operating income	879	712
Non-operating expenses		
Interest expenses	130	117
Other	50	51
Total non-operating expenses	180	168
Ordinary income	6,701	10,536
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on abandonment of non-current assets	70	35
Impairment loss	8	11
Loss on revision of retirement benefit plan	–	80
Total extraordinary losses	79	128
Income before income taxes	6,622	10,409
Income taxes	2,323	3,494
Net income	4,299	6,914
Profit attributable to non-controlling interests	81	86
Profit attributable to owners of parent	4,217	6,828

Quarterly Consolidated Statement of Comprehensive Income [First quarter period]

(Millions of yen)

	Three months ended July 31, 2022	Three months ended July 31, 2023
Net income	4,299	6,914
Other comprehensive income		
Valuation difference on available-for-sale securities	112	165
Foreign currency translation adjustment	563	905
Remeasurements of defined benefit plans, net of tax	5	(117)
Share of other comprehensive income of entities accounted for using equity method	(2)	(22)
Total other comprehensive income	680	932
Comprehensive income	4,979	7,846
Comprehensive income attributable to owners of parent	4,832	7,730
Comprehensive income attributable to non-controlling interests	146	115

(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 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 under review, 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 under review, 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, in the first quarter under review, operating income, ordinary income and income before income taxes have increased by 398 million yen each.

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

(Segment Information)

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

For the first three months of the fiscal year ended 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 Statement of Income.

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

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea Leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	109,760	9,626	1,767	121,154	–	121,154
(2) Intersegment	153	0	660	814	(814)	–
Total net sales	109,913	9,626	2,428	121,969	(814)	121,154
Segment profits	9,144	953	56	10,154	(162)	9,992

Notes: i. The segment profits adjustment includes (247) million yen in amortization of goodwill and 84 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 three months of the fiscal year ending April 30, 2024 has increased by 398 million yen.