

Consolidated Financial Results

Under Japanese Standards for the Third Quarter of the fiscal year ending April 30, 2021 (Unaudited)

Scheduled filing date of quarterly securities report: March 12, 2021

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, 2021 (May 1, 2020 - January 31, 2021)

(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	
1/31/2021	338,641	-10.7%	10,436	-41.5%	10,240	-42.1%	5,754	-49.1%
1/31/2020	379,214	-2.5%	17,852	8.6%	17,690	6.7%	11,299	10.2%

Note: Comprehensive income 1/31/2021: 6,372 million yen (-39.0%) 1/31/2020: 10,452 million yen (7.0%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
1/31/2021	46.10		45.99	
1/31/2020	91.79		91.57	

Note: 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		
1/31/2021	285,377	150,758	52.3%
4/30/2020	290,651	149,695	51.0%

Reference: Shareholders' equity 1/31/2021: 149,366 million yen 4/30/2020: 148,315 million yen

2. Dividends

	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen				
4/30/2020	–	20.00	–	20.00	40.00
4/30/2021	–	20.00	–		
4/30/2021 (Forecast)				20.00	40.00

Note: Revision to the most recently disclosed dividend forecast: None

Note: 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, 2021 (May 1, 2020 - April 30, 2021)

(% 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
4/30/2021	450,000	-6.9%	12,300	-38.3%	12,100	-37.7%	5,800	-25.6%	45.09

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

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

Notes

(1) Changes in important subsidiaries during the period

(Changes in specific subsidiaries accompanied by a change in the scope of consolidation): None

(2) Application of special accounting methods in preparation for quarterly consolidated financial statements: Yes

Note: Application of simplified accounting and specific for preparing the quarterly consolidated financial statements.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

i. Changes in accounting policies associated with in accounting standards: None

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

iii. Changes in accounting estimates: None

iv. Restatements: None

(4) Number of outstanding shares (common stock)

i. Number of outstanding shares (including treasury stock)	1/31/2021	89,212,380 shares	4/30/2020	89,212,380 shares
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ii. Number of treasury stock	1/31/2021	1,013,467 shares	4/30/2020	1,023,467 shares
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iii. Average number of shares during the period	1/31/2021	88,194,255 shares	1/31/2020	88,246,287 shares
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Note: The above "Number of outstanding shares" pertains to Common Stock. For "Number of outstanding shares" for Class-A Preferred Stock, refer to "Reference" below.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Request for appropriate use of the business outlook and other special remarks

Forward-looking statements in this document, including forecasts, are based on information available to management at the time of the announcement, which management assumes to be reasonable. Therefore, our company does not guarantee the achievement of forecasts and other forward-looking statements. Because of variable factors, actual results may differ from the forecast figures. For the basis of presumption of the forecasted operation results and the notes on its use, refer to "Explanations Regarding Forecasts for Consolidated Results and Future Outlook" on page 3.

Reference

(1) Per share information of Class-A Preferred Stock (May 1, 2020 – January 31, 2021)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
1/31/2021	51.10	50.99
1/31/2020	96.79	96.57

(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
4/30/2020	–	25.00	–	25.00	50.00
4/30/2021	–	25.00	–		
4/30/2021 (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
4/30/2021	55.09

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

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

i. Number of outstanding shares (including treasury stock)	1/31/2021	34,246,962 shares	4/30/2020	34,246,962 shares
ii. Number of treasury stock	1/31/2021	1,194,750 shares	4/30/2020	1,192,090 shares
iii. Average number of shares during the period	1/31/2021	33,053,711 shares	1/31/2020	33,056,411 shares

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1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

(1) Explanations Regarding Consolidated Results of Operations

During the nine months of the fiscal year ending April 30, 2021 (May 1, 2020 - January 31, 2021), the Japanese economy has continued to be in a tough situation due to the impact of the novel coronavirus disease (COVID-19), which is spreading globally. The recovery in personal consumption appears to have stalled and the uncertain situation is expected to continue.

In the beverage industry as well, the business environment continues to be tough due to the negative impact of economic stagnation due to restrictions on activities and people refraining from going out due to the spread of COVID-19, in addition to the impact of abnormal weather and unseasonable weather, such as the Heavy Rain Event of July 2020.

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 nine months of the fiscal year ending April 30, 2021 was as follows.

Net sales	338,641 million yen, down 10.7%
Operating income	10,436 million yen, down 41.5%
Ordinary income	10,240 million yen, down 42.1%
Profit attributable to owners of parent	5,754 million yen, down 49.1%

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

In November 2020, the Company launched “*Oi Ocha Caffeine Zero, Label-less*,” a product in a plastic bottle without a label sold exclusively in cases, to reduce plastic pollution and meet the present “easy” and “time-saving” needs. The Company is already selling the “*Oi Ocha*” brand, which is the best-selling tea beverage brand, in 100% recyclable plastic bottles, and the Company is working to further reduce the environmental impact of its products, such as by using filters made of biodegradable materials for “*Oi Ocha*” tea bag products. The Company will continue its efforts to reduce the amount of materials used in containers and packages and save resources in order to contribute to realizing a sustainable society and environment.

In addition, the Company launched sales of “*Oi Ocha Matcha*” in December as Japan’s first food with function claims stating that its theanine and tea catechins boost accuracy of cognitive functions (attentiveness and judgment). These products use the Company’s original matcha cultivated under contract and bring out the rich taste of matcha. Under the “ITO EN Matcha Project,” which seeks to solve the issue of a decline of cognitive functions using matcha, the Company will take a diversified approach to developing its business, including product development based on the results of research, joint research and CSR activities through cooperation with local communities and other companies. In addition, in this age where people can live to 100 years old, the Company will actively carry out initiatives for local issues from the perspective of prevention and harmonious coexistence and develop activities that can enrich the lives of our customers.

In the vegetable juice market, in January 2021 the Company newly launched sales of “*Mainichi-Ippai-no-Aojiru (one glass of green juice a day) Sugar-free*,” which is popular for bringing out the original delicious taste of the ingredients, in 900 g plastic bottles as a food with function claims stating that its indigestible dextrin (dietary fiber) suppresses a rise in blood sugar level or in neutral fat level. This product, which is made from domestically produced green juice ingredients and allows consumers to enjoy the original full flavor of the ingredients, is easy to drink with meals and is recommended to persons who are concerned about sugar and fat.

The Company has actively developed products that contribute to the health of consumers and actively engaged in efforts to reduce the environmental impact of its products.

However, performance in the nine months of the fiscal year under review was significantly affected by a delay in the recovery of demand as a result of the prolonged COVID-19 pandemic, and restrictions on activities and people refraining from unnecessary and non-urgent outings associated with the declaration of a state of emergency.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 314,392 million yen, down 9.5% year on year, and operating income of 11,639 million yen, down 24.6%.

<Restaurant Business>

For Tully’s Coffee Japan Co., Ltd., the seasonal limited espresso beverages to brighten up the holiday season, “*Mascarpone Tiramisu Latte*” and “*Irish Latte*,” were popular. In addition, as a result of people spending more time at home due to refraining from going out, there is an increasing need for “home cafes” where customers can purchase coffee beans they like to enjoy while relaxing at home. As a result, sales of items for enlivening the times spent drinking coffee at home, the “2021 HAPPY BAG” set of limited goods, and coffee beans performed favorably. The total number of coffee shops at present is 767.

We are actively taking preventative measures against the spread of COVID-19 such as employees washing hands, using alcohol disinfectant, temperature taking before starting work, wearing masks, installing plastic screens, etc. in front of registers as a

measure to prevent infection through droplets, and ensuring social distancing.

However, performance in the nine months of the fiscal year under review was significantly affected by a delay in the recovery of demand as a result of the prolonged COVID-19 pandemic, and shortened operating hours and people refraining from unnecessary and non-urgent outings associated with the declaration of a state of emergency.

As a result of these activities, the Restaurant Business recorded net sales of 19,448 million yen, down 28.6% year on year, and operating loss of 1,106 million yen, compared with operating income of 2,878 million yen in the same period last year.

<Others>

The Others recorded net sales of 4,800 million yen, up 4.2% year on year, and operating income of 452 million yen, up 1.3%.

(2) Explanations Regarding Consolidated Financial Position

The following is a consolidated financial position for the third quarter of the fiscal year ending April 30, 2021.

Total assets as of January 31, 2021 stood at 285,377 million yen, decreased by 5,273 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected an increase of 10,397 million yen in “Cash and deposits,” a decrease of 4,872 million yen in “Notes and accounts receivable-trade,” a decrease of 3,810 million yen in “Merchandise and finished goods” and a decrease of 2,778 million yen in “Leased assets.”

Liabilities as of January 31, 2021 stood at 134,619 million yen, decreased by 6,336 million yen from the end of the previous fiscal year. These changes in liabilities mainly reflected a decrease of 4,341 million yen in “Notes and accounts payable-trade,” a decrease of 2,020 million yen in “Accrued expenses,” a decrease of 1,987 million yen in “Income taxes payable,” a decrease of 1,921 million yen in “Provision for bonuses,” an increase of 5,919 million yen in “Long-term loans payable” and a decrease of 1,760 million yen in “Lease obligations.”

Net assets as of January 31, 2021 stood at 150,758 million yen, increased by 1,063 million yen from the end of the previous fiscal year. This mainly reflected an increase of 5,754 million yen in “Retained earnings” due to “Profit attributable to owners of parent,” and a decrease of 5,180 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, 2021, no changes have been made to the forecasts that were announced on December 1, 2020.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2020 and January 31, 2021

(Millions of yen)

	As of April 30, 2020	As of January 31, 2021
Assets		
Current assets		
Cash and deposits	64,813	75,210
Notes and accounts receivable - trade	49,168	44,296
Merchandise and finished goods	35,710	31,899
Raw materials and supplies	10,013	10,303
Other	14,359	10,495
Allowance for doubtful accounts	(99)	(95)
Total current assets	173,966	172,109
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,203	22,155
Land	22,046	22,141
Leased assets, net	15,527	12,749
Other, net	23,209	23,050
Total property, plant and equipment	82,986	80,097
Intangible assets		
Goodwill	7,875	6,920
Other	3,695	3,683
Total intangible assets	11,570	10,603
Investments and other assets		
Other	22,312	22,680
Allowance for doubtful accounts	(184)	(113)
Total investments and other assets	22,128	22,566
Total non-current assets	116,685	113,267
Total assets	290,651	285,377
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,447	22,105
Short-term loans payable	6,820	6,032
Lease obligations	3,979	3,156
Accrued expenses	23,631	21,610
Income taxes payable	3,220	1,232
Provision for bonuses	3,783	1,861
Other	3,190	3,248
Total current liabilities	71,072	59,248
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	38,922	44,841
Lease obligations	5,956	5,018
Net defined benefit liability	10,612	10,922
Other	4,393	4,587
Total non-current liabilities	69,884	75,370
Total liabilities	140,956	134,619

Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2020	As of January 31, 2021
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,646	18,660
Retained earnings	121,848	122,422
Treasury shares	(6,499)	(6,467)
Total shareholders' equity	153,907	154,527
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,232	1,647
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	(449)	(613)
Remeasurements of defined benefit plans	(322)	(141)
Total accumulated other comprehensive income	(5,592)	(5,161)
Share acquisition rights	167	152
Non-controlling interests	1,213	1,239
Total net assets	149,695	150,758
Total liabilities and net assets	290,651	285,377

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to January 31, 2020 and 2021

Quarterly Consolidated Statement of Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2020	Nine months ended January 31, 2021
Net sales	379,214	338,641
Cost of sales	196,819	177,503
Gross profit	182,394	161,138
Selling, general and administrative expenses	164,542	150,701
Operating income	17,852	10,436
Non-operating income		
Interest income	73	68
Dividend income	75	57
Share of profit of entities accounted for using equity method	73	50
Other	449	470
Total non-operating income	671	646
Non-operating expenses		
Interest expenses	272	325
Foreign exchange losses	332	289
Other	229	229
Total non-operating expenses	834	843
Ordinary income	17,690	10,240
Extraordinary income		
Gain on sales of non-current assets	4	4
Gain on donation of non-current assets	8	6
Gain on sales of investment securities	170	–
Subsidies for employment adjustment	–	781
Compensation income	48	87
Other	2	–
Total extraordinary income	234	879
Extraordinary losses		
Loss on sales of non-current assets	0	5
Loss on abandonment of non-current assets	30	81
Loss on valuation of investment securities	4	4
Impairment loss	112	496
Loss on disaster	120	21
Loss on COVID-19 impact	–	467
Other	–	111
Total extraordinary losses	268	1,189
Income before income taxes	17,656	9,931
Income taxes	6,164	4,016
Net income	11,492	5,914
Profit attributable to non-controlling interests	192	160
Profit attributable to owners of parent	11,299	5,754

Quarterly Consolidated Statement of Comprehensive Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2020	Nine months ended January 31, 2021
Net income	11,492	5,914
Other comprehensive income		
Valuation difference on available-for-sale securities	(413)	389
Foreign currency translation adjustment	(668)	(148)
Remeasurements of defined benefit plans, net of tax	96	180
Share of other comprehensive income of entities accounted for using equity method	(54)	36
Total other comprehensive income	(1,039)	457
Comprehensive income	10,452	6,372
Comprehensive income attributable to owners of parent	10,287	6,185
Comprehensive income attributable to non-controlling interests	165	187

(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.

(Segment Information, etc.)

[Segment Information]

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

For the nine months of the fiscal year ended April 30, 2020 (May 1, 2019 – January 31, 2020)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	347,353	27,255	4,606	379,214	–	379,214
(2) Intersegment	283	11	2,185	2,480	(2,480)	–
Total net sales	347,637	27,267	6,791	381,695	(2,480)	379,214
Segment profits (losses)	15,445	2,878	446	18,770	(917)	17,852

Notes: i. The segment profits (losses) adjustment includes (1,112) million yen in amortization of goodwill and 195 million yen in intersegment transactions.

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

For the nine months of the fiscal year ending April 30, 2021 (May 1, 2020 – January 31, 2021)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	314,392	19,448	4,800	338,641	–	338,641
(2) Intersegment	254	6	2,216	2,476	(2,476)	–
Total net sales	314,646	19,454	7,016	341,117	(2,476)	338,641
Segment profits (losses)	11,639	(1,106)	452	10,985	(548)	10,436

Notes: i. The segment profits (losses) adjustment includes (741) million yen in amortization of goodwill and 193 million yen in intersegment transactions.

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