

Consolidated Financial Results

under Japanese Standards for the fiscal year ended April 30, 2019 (Unaudited)

Scheduled date of general shareholder's meeting: July 24, 2019

Scheduled date of commencement of dividend payment: July 25, 2019

Scheduled filing date of securities report: July 25, 2019

Supplementary documents for financial results: Yes

Financial results presentation (for institutional investors and analysts): Yes

(Figures are rounded down to million yen.)

1. Consolidated Performance for the Fiscal Year Ended April 30, 2019 (May 1, 2018 - April 30, 2019)

(1) Consolidated Results of Operations (% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen		Million yen		Million yen		Million yen	
4/30/2019	504,153	1.9%	22,819	3.5%	23,211	8.3%	14,462	15.2%
4/30/2018	494,793	4.0%	22,043	1.2%	21,441	-0.4%	12,553	-8.3%

Note: Comprehensive income 4/30/2019: 14,422 million yen (9.4%) 4/30/2018: 13,180 million yen (-14.2%)

	Earnings per share	Earnings per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen			
4/30/2019	116.02	115.74	9.9%	7.7%	4.5%
4/30/2018	99.79	99.54	9.0%	7.1%	4.5%

Reference: Equity in earnings (losses) of affiliated companies 4/30/2019: 153 million yen 4/30/2018: 131 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2019	303,981	150,923	49.2%	1,229.28
4/30/2018	301,167	143,750	47.3%	1,165.80

Reference: Equity 4/30/2019: 149,661 million yen 4/30/2018: 142,536 million yen.

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million Yen	Million yen
4/30/2019	26,128	(10,635)	(15,005)	61,950
4/30/2018	25,322	(11,359)	(16,639)	61,376

2. Dividends

	Dividend per share					Total dividend paid	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	First quarter end	Second quarter end	Third quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen		
4/30/2018	-	20.00	-	20.00	40.00	3,548	40.1%	3.5%
4/30/2019	-	20.00	-	20.00	40.00	3,542	34.5%	3.3%
4/30/2020 (Forecast)	-	20.00	-	20.00	40.00		35.0%	

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, 2020 (May 1, 2019 - April 30, 2020)

(% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen		Million yen		Million yen		Million yen		Yen
10/31/2019	276,500	0.4%	13,400	1.4	14,000	1.3%	9,000	3.5%	72.75
4/30/2020	510,000	1.2%	23,000	0.8	22,800	-1.8%	14,200	-1.8%	114.21

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) 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

(3) Numbers of shares outstanding (common stock)

i. Numbers of outstanding shares (including treasury stock) 4/30/2019 89,212,380 shares 4/30/2018 89,212,380 shares

ii. Numbers of treasury stock 4/30/2019 656,736 shares 4/30/2018 499,602 shares

iii. Average number of shares during the period 4/30/2019 88,567,561 shares 4/30/2018 88,704,891 shares

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.

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Performance for Fiscal Year Ended April 30, 2019 (May 1, 2018 - April 30, 2019)

(1) Non-Consolidated Results of Operation (% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen		Million yen		Million yen		Million yen	
4/30/2019	394,495	2.9%	15,851	3.0%	18,600	8.5%	13,282	10.0%
4/30/2018	383,212	3.1%	15,394	-1.6%	17,142	-1.8%	12,069	-0.2%

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
4/30/2019	106.33	106.08
4/30/2018	95.84	95.60

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen		Yen
4/30/2019	270,427	142,830	52.8%	1,172.01
4/30/2018	270,770	137,199	50.6%	1,121.29

Reference: Equity 4/30/2019: 142,696 million yen 4/30/2018: 137,101 million yen

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

2. Forecasted Non-Consolidated Results for the Fiscal Year Ending April 30, 2020

(May 1, 2019 - April 30, 2020)

(% changes as compared with the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen		Million yen		Million yen		Million yen		Yen
10/31/2019	218,740	0.5%	9,800	6.7%	11,000	1.0%	7,900	3.5%	63.69
4/30/2020	400,500	1.5%	16,200	2.2%	18,100	-2.7%	13,000	-2.1%	104.33

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

* Financial results reports are exempt from audit 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 "1. Overview of the Management Operations' Results, etc., (4) Future Outlook" on page 4 in the Attachments.

(1) Per Share information of Class-A Preferred Stock in Consolidated Results of Operation

	Earnings per share	Earnings per share (diluted)	Net assets per share
	Yen	Yen	Yen
4/30/2019	126.00	125.72	1,234.28
4/30/2018	109.75	109.50	1,170.80

(2) Dividends per Share – Class-A Preferred Stock

	Dividend per share					Total dividend paid	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	First quarter end	Second quarter end	Third quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen		
4/30/2018	–	25.00	–	25.00	50.00	1,679	45.6%	4.3%
4/30/2019	–	25.00	–	25.00	50.00	1,657	39.7%	4.1%
4/30/2020 (Forecast)	–	25.00	–	25.00	50.00		40.3%	

(3) Per Share information of Class-A Preferred Stock in Forecasted Consolidated Results

	Earnings per share (Consolidated)	Earnings per share (Non-Consolidated)
	Yen	Yen
10/31/2019	77.73	68.67
4/30/2020	124.16	114.28

(4) Numbers of Outstanding Shares – Class-A Preferred Stock

- | | | | | |
|---|-----------|-------------------|-----------|-------------------|
| i. Numbers of outstanding shares (including treasury stock) | 4/30/2019 | 34,246,962 shares | 4/30/2018 | 34,246,962 shares |
| ii. Numbers of treasury stock | 4/30/2019 | 1,189,831 shares | 4/30/2018 | 837,653 shares |
| iii. Average number of shares during the period | 4/30/2019 | 33,226,503 shares | 4/30/2018 | 33,724,074 shares |

(5) Per Share information of Class-A Preferred Stock in Non-Consolidated Results of Operation

	Earnings per share	Earnings per share (diluted)	Net assets per share
	Yen	Yen	Yen
4/30/2019	116.31	116.06	1,177.01
4/30/2018	105.80	105.56	1,126.29

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1. Overview of the Management Operations' Results, etc.

(1) Overview of the Management Operations' Results in the Current Financial Year

During the fiscal year ended April 30, 2019 (May 1, 2018 - April 30, 2019), the Japanese economy has continued a trend of gradual recovery in part due to the employment/income environment and the effect of various policies, although weakness was seen in part of exports and production.

In the beverage industry, the business environment continues to be tough because of the persistent thriftiness among consumers and the effects of natural disasters.

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 fiscal year under review was as follows. Please note that as extraordinary losses, we reported 673 million yen in cost related to the disposal of products that fail to meet the company's quality standards and 66 million yen in cost related to disaster due to the Heavy Rain Event of July 2018, etc.

Net sales	504,153 million yen, up 1.9% year on year
Operating income	22,819 million yen, up 3.5% year on year
Ordinary income	23,211 million yen, up 8.3% year on year
Profit attributable to owners of parent	14,462 million yen, up 15.2% year on year

Performance by each of the business segments were as follows.

<Tea Leaves and Beverages Business>

The Company made proposals on how to brew delicious green tea fit for each season and how to enjoy green tea through events it held, such as "ITO EN Dai-Cha-Kai," (green tea demonstration sales and tasting events), and "Seminar on how to brew delicious tea." ITO EN actively proposed not only leaf products that are brewed in the traditional Japanese teapot *Kyusu*, but also instant products like green tea powder, which is easily solved in cold and hot water and served conveniently, to convey the appeal of Japanese tea.

In the "Oi Ocha" (green tea) brand, the Company launched "Oi Ocha Shinryoku" (fresh green) in May 2018. The product appealed mainly to women due to its features, such as the deliciousness of genuine tea, fresh and clear sweetness, and bottle design for easy carrying, and sales volume exceeded 50 million bottles in around a year since its launch.

In September 2018, the Company added a new range of "Oi Ocha" products contained in special PET bottles that can be rewarmed in microwave ovens. Even if you drink the products slowly over time, you will be able to taste them deliciously to the end in warm condition. Through these products, ITO EN has developed a product lineup that meets various customer needs and is fit for tea-tasting opportunities.

On February 1, 2019, "Oi Ocha" marked its 30th anniversary since its launch. We are implementing the "Memorial Event for the Oi Ocha 30th Anniversary" with four themes: Japanese culture, focusing on communities, a new era, and value of health, in which we would like to thank customers for supporting "Oi Ocha" for the 30 years of the Japanese Heisei era and hope for further development of Japan's tea culture in the new era of Reiwa. As a leading tea company, we will continue to face challenges for further development so that "Oi Ocha," whose history almost coincides with the Heisei era, will be loved by people as more familiar Japanese tea.

Among other beverage products, "Kenko Mineral Mugicha" (healthy mineral barley tea), the top barley tea brand, has performed well not only as a beverage for hot summer but also as one that can provide users with minerals and keep them well hydrated throughout the year. "TULLY'S COFFEE," which is a coffee beverage, has continued to gain popularity as a beverage with a professional quality as served at the specialty coffee chain TULLY'S COFFEE.

Overseas, ITO EN has actively been selling continuously "MATCHA GREEN TEA," a leaf product offered in "Global Brand" mainly in the U.S. and China, and "Oi Ocha" brand products, backed by a global boom of Japanese food and matcha as well as the increasing health-conscious trend.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 462,841 million yen, up 1.6% year on year, and operating income of 19,806 million yen, up 3.4%.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. released various seasonal limited beverages such as, "Milky Honey Soy Latte," a variation of the popular "Honey Milk Latte" that uses soy milk, as well as fun seasonal limited beverages such as "Tapioca Strawberry Cafe au Lait" and "Tapioca Hojicha Latte," which uses the chewy texture of tapioca that is popular in the market, and other popular products. Furthermore, tea beverages, such as the seasonal limited "&TEA Peach Confiture Royal Milk Tea," performed favorably. New coffee shop openings have been smooth with the total number of coffee shops at present being 735.

Further brand enhancement as a specialty coffee shop will be achieved through revitalization, such as renovating existing stores and strengthening store competitiveness, and active ongoing investment.

As a result of these activities, the Restaurant Business recorded net sales of 34,555 million yen, up 6.1% year on year, and operating income of 3,504 million yen, up 7.8%.

<Others>

Mason Distributors, Inc. has continued to sell dietary supplements firmly.

As a result, the Others recorded net sales of 6,756 million yen, up 2.1% year on year, and operating income of 771 million yen, down 17.9%.

(2) Overview of the Financial Position in the Current Financial Year

The following is a consolidated financial position for the fiscal year ended April 30, 2019.

(Assets)

Total assets at the end of the fiscal year ended April 30, 2019 stood at 303,981 million yen, increased by 2,814 million yen from the previous fiscal year. These changes in total assets mainly reflected increases of 4,246 million yen in "Merchandise and finished goods," 2,074 million yen in "Cash and deposits," 4,118 million yen in "Tools, furniture and fixtures," and decreases of 4,620 million yen in "Leased assets" and 1,634 million yen in "Goodwill."

(Liabilities)

Liabilities at the end of the fiscal year ended April 30, 2019 stood at 153,058 million yen, decreased by 4,358 million yen from the previous fiscal year. These changes in liabilities mainly reflected decreases of 4,782 million yen in "Lease obligations" and 1,400 million yen in "Long-term loans payable."

(Net assets)

Net assets at the end of the fiscal year ended April 30, 2019 stood at 150,923 million yen, increased by 7,172 million yen from the previous fiscal year. This mainly reflected an increase of 14,462 million yen in "Retained earnings" due to "Profit attributable to owners of parent," a decrease of 5,212 million yen in "Retained earnings" due to "Dividends of surplus."

As a result, the shareholders' equity ratio became 49.2% compared with 47.3% at the end of the previous fiscal year.

(3) Overview of the Cash flows in the Current Financial Year

Cash and cash equivalents at the end of the fiscal year ended April 30, 2019 amounted to 61,950 million yen, increased by 573 million yen from the end of the previous fiscal year.

Cash flows during the fiscal year ended April 30, 2019 and their causes are as follows.

(Cash flows from operating activities)

Net cash inflows from operating activities were 26,128 million yen (compared with 25,322 million yen inflow in the previous fiscal year).

The major factors affecting this were increases due to income before income taxes of 22,486 million yen and depreciation of 13,411 million yen and income taxes paid of 7,122 million yen.

(Cash flows from investing activities)

Net cash outflows from investing activities were 10,635 million yen (compared with 11,359 million yen outflow in the previous fiscal year).

The major factors affecting this was purchase of property, plant and equipment and intangible assets of 10,088 million yen.

(Cash flows from financing activities)

Net cash outflows from financing activities were 15,005 million yen (compared with 16,639 million yen outflow in the previous fiscal year).

The major factors of cash outflows were repayments of finance lease obligations of 6,514 million yen and cash dividends paid of 5,206 million yen.

(4) Future Outlook

The ITO EN Group will continue to pursue sustainable growth through “The CSV (Creating Shared Value)” and further enhance the corporate value, while aiming to become a Global Tea Company.

In the domestic market, the Company will further strengthen “*Oi Ocha*,” the top brand in green tea beverages, enhance other individual brands including “*Kenko Mineral Mugicha*,” (healthy mineral barley tea), “*TULLY’S COFFEE*” and “*Ichinichibun no Yasai*” (a day’s worth of vegetables), and improve sales of leaf products centering on easy-to-use products. In addition, ITO EN will further improve business performance by establishing a marketing platform by route sales, pursuing comprehensive cost reductions, and creating Group-wide synergies.

We will use our company’s strengths, both domestically and internationally, to provide new value for a healthy and rich dietary life around the world. In order to increase the recognition ratio of ITO EN, so that when people all over the world say “Japanese Tea,” they will always be reminded of ITO EN, starting from the current “mainly Japanese ITO EN,” to that end, we aim at growing up our brands to the level of the “Global ITO EN.”

At this current point in time, the forecast for the fiscal year ending April 30, 2020 is as follows.

Net sales	510,000 million yen, up 1.2% year on year
Operating income	23,000 million yen, up 0.8% year on year
Ordinary income	22,800 million yen, down 1.8% year on year
Profit attributable to owners of parent	14,200 million yen, down 1.8% year on year

2. Basic Policies Concerning Selection of Accounting Standards

Taking into consideration reliable year-on-year and company-to-company comparisons in the consolidated financial statements, the ITO EN Group’s policy for the time being is to prepare its consolidated financial statements according to Japanese accounting standards.

As for the application of international accounting standards, ITO EN plans to appropriately respond after considering the circumstances in Japan and overseas.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

As of April 30, 2018 and April 30, 2019

(Millions of yen)

	As of April 30, 2018	As of April 30, 2019
Assets		
Current assets		
Cash and deposits	61,664	63,738
Notes and accounts receivable - trade	58,083	56,581
Merchandise and finished goods	30,833	35,079
Raw materials and supplies	7,875	8,509
Accounts receivable - other	8,765	10,301
Other	3,685	3,313
Allowance for doubtful accounts	(69)	(74)
Total current assets	170,838	177,449
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,676	47,747
Accumulated depreciation	(24,084)	(25,457)
Buildings and structures, net	21,592	22,289
Machinery, equipment and vehicles	21,966	22,954
Accumulated depreciation	(15,938)	(17,379)
Machinery, equipment and vehicles, net	6,028	5,574
Tools, furniture and fixtures	18,224	24,343
Accumulated depreciation	(8,131)	(10,131)
Tools, furniture and fixtures, net	10,092	14,211
Land	21,745	22,335
Leased assets	61,796	55,576
Accumulated depreciation	(37,785)	(36,186)
Leased assets, net	24,010	19,389
Construction in progress	1,353	384
Total property, plant and equipment	84,822	84,186
Intangible assets		
Goodwill	16,364	14,729
Software	2,070	1,416
Other	3,153	2,810
Total intangible assets	21,588	18,956
Investments and other assets		
Investment securities	6,272	5,035
Deferred tax assets	5,491	5,847
Other	12,433	12,754
Allowance for doubtful accounts	(279)	(248)
Total investments and other assets	23,918	23,389
Total non-current assets	130,329	126,532
Total assets	301,167	303,981

Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2018	As of April 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,879	30,181
Short-term loans payable	2,020	2,020
Lease obligations	7,002	5,051
Accrued expenses	25,896	24,839
Income taxes payable	3,948	4,660
Provision for bonuses	3,480	4,370
Other	4,961	5,350
Total current liabilities	77,187	76,473
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	45,922	44,522
Lease obligations	10,282	7,450
Deferred tax liabilities for land revaluation	719	719
Net defined benefit liability	9,922	10,313
Other	3,382	3,579
Total non-current liabilities	80,228	76,585
Total liabilities	157,416	153,058
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,645	18,640
Retained earnings	110,066	119,242
Treasury shares	(2,798)	(4,547)
Total shareholders' equity	145,826	153,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,951	2,279
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	337	671
Remeasurements of defined benefit plans	(525)	(484)
Total accumulated other comprehensive income	(3,289)	(3,586)
Share acquisition rights	97	133
Non-controlling interests	1,116	1,127
Total net assets	143,750	150,923
Total liabilities and net assets	301,167	303,981

(2) Consolidated Statements of Income and Comprehensive Income

For the fiscal year ended April 30, 2018 and 2019 (May 1, 2017 - April 30, 2018 and May 1, 2018 - April 30, 2019)

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended April 30, 2018		Fiscal year ended April 30, 2019	
Net sales		494,793		504,153
Cost of sales	*1	260,810	*1	263,778
Gross profit		233,983		240,375
Selling, general and administrative expenses	*2	211,939	*2	217,555
Operating income		22,043		22,819
Non-operating income				
Interest income		61		82
Dividend income		68		68
Rent income		97		88
Compensation income for damaged products		44		49
Share of profit of entities accounted for using equity method		131		153
Gain on prepaid card		122		126
Foreign exchange gains		—		295
Other		290		282
Total non-operating income		817		1,147
Non-operating expenses				
Interest expenses		656		462
Foreign exchange losses		347		—
Loss on cancellation of leases		249		121
Other		166		171
Total non-operating expenses		1,419		755
Ordinary income		21,441		23,211
Extraordinary income				
Gain on sales of non-current assets	*3	9	*3	9
Gain on donation of non-current assets		24		5
Gain on sales of investment securities		41		551
Compensation income		—	*4	114
Other		0		45
Total extraordinary income		75		726
Extraordinary losses				
Loss on abandonment of non-current assets	*5	51	*5	197
Impairment loss	*6	455	*6	488
Loss on abandonment of inventories		—	*7	673
Loss on disaster		—		66
Other		19		24
Total extraordinary losses		526		1,451
Income before income taxes		20,990		22,486
Total income taxes		8,346		7,752
Net income		12,643		14,733
Profit attributable to non-controlling interests		90		271
Profit attributable to owners of parent		12,553		14,462

Consolidated Comprehensive Income

(Millions of yen)

	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Net income	12,643	14,733
Other comprehensive income		
Valuation difference on available-for-sale securities	646	(719)
Foreign currency translation adjustment	(387)	329
Remeasurements of defined benefit plans, net of tax	105	41
Share of other comprehensive income of entities accounted for using equity method	172	37
Total other comprehensive income	537	(311)
Comprehensive income	13,180	14,422
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,066	14,165
Comprehensive income attributable to non-controlling interests	113	257

(3) Consolidated Statement of Changes in Shareholders' Equity

For the fiscal year ended April 30, 2018 (May 1, 2017 - April 30, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,912	18,644	102,750	(1,983)	139,323
Changes of items during period					
Dividends of surplus			(5,237)		(5,237)
Profit attributable to owners of parent			12,553		12,553
Purchase of treasury shares				(858)	(858)
Disposal of treasury shares		1		43	45
Net changes of items other than shareholders' equity					
Total changes of items during period	-	1	7,316	(814)	6,502
Balance at end of current period	19,912	18,645	110,066	(2,798)	145,826

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,133	(6,053)	747	(629)	(3,802)	66	1,122	136,709
Changes of items during period								
Dividends of surplus								(5,237)
Profit attributable to owners of parent								12,553
Purchase of treasury shares								(858)
Disposal of treasury shares								45
Net changes of items other than shareholders' equity	818	-	(409)	104	513	31	(6)	538
Total changes of items during period	818	-	(409)	104	513	31	(6)	7,041
Balance at end of period	2,951	(6,053)	337	(525)	(3,289)	97	1,116	143,750

For the fiscal year ended April 30, 2019 (May 1, 2018 - April 30, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,912	18,645	110,066	(2,798)	145,826
Changes of items during period					
Dividends of surplus			(5,212)		(5,212)
Profit attributable to owners of parent			14,462		14,462
Purchase of treasury shares				(1,870)	(1,870)
Disposal of treasury shares		(4)	(73)	120	41
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(4)	9,176	(1,749)	7,422
Balance at end of current period	19,912	18,640	119,242	(4,547)	153,248

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,951	(6,053)	337	(525)	(3,289)	97	1,116	143,750
Changes of items during period								
Dividends of surplus								(5,212)
Profit attributable to owners of parent								14,462
Purchase of treasury shares								(1,870)
Disposal of treasury shares								41
Net changes of items other than shareholders' equity	(671)	-	333	40	(297)	36	11	(249)
Total changes of items during period	(671)	-	333	40	(297)	36	11	7,172
Balance at end of current period	2,279	(6,053)	671	(484)	(3,586)	133	1,127	150,923

(4) Consolidated Statements of Cash Flows

For the fiscal year ended April 30, 2018 and 2019 (May 1, 2017 - April 30, 2018 and May 1, 2018 - April 30, 2019)

(Millions of yen)

	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Cash flows from operating activities		
Income before income taxes	20,990	22,486
Depreciation	13,222	13,411
Impairment loss	455	488
Amortization of goodwill	1,819	1,777
Increase (decrease) in allowance for doubtful accounts	(36)	(27)
Increase (decrease) in provision for bonuses	(69)	890
Increase (decrease) in net defined benefit liability	618	450
Loss on abandonment of inventories	-	673
Loss on disaster	-	66
Interest and dividend income	(130)	(151)
Interest expenses	656	462
Foreign exchange losses (gains)	212	(282)
Decrease (increase) in notes and accounts receivable - trade	(3,501)	1,586
Decrease (increase) in inventories	(988)	(4,700)
Decrease (increase) in other current assets	2,602	(1,538)
Decrease (increase) in other non-current assets	(31)	(94)
Increase (decrease) in notes and accounts payable - trade	(3,136)	262
Increase (decrease) in accrued consumption taxes	120	(453)
Increase (decrease) in other current liabilities	712	(666)
Other, net	(59)	(1,104)
Subtotal	33,455	33,536
Interest and dividend income received	165	177
Interest expenses paid	(657)	(462)
Income taxes paid	(7,640)	(7,122)
Net cash provided by (used in) operating activities	25,322	26,128
Cash flows from investing activities		
Payments into time deposits	(284)	(1,512)
Purchase of property, plant and equipment and intangible assets	(10,569)	(10,088)
Purchase of investment securities	(93)	(33)
Proceeds from sales of investment securities	50	798
Purchase of long-term prepaid expenses	(35)	(117)
Decrease (increase) in other investments	(427)	317
Net cash provided by (used in) investing activities	(11,359)	(10,635)

Consolidated Statements of Cash Flows – Continued

(Millions of yen)

	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Cash flows from financing activities		
Repayments of long-term loans payable	(1,853)	(1,400)
Purchase of treasury shares	(858)	(1,870)
Proceeds from disposal of treasury shares	0	1
Repayments of finance lease obligations	(8,616)	(6,514)
Cash dividends paid	(5,232)	(5,206)
Dividends paid to non-controlling interests	(195)	(4)
Proceeds from share issuance to non-controlling shareholders	130	–
Other, net	(13)	(12)
Net cash provided by (used in) financing activities	(16,639)	(15,005)
Effect of exchange rate change on cash and cash equivalents	(47)	86
Net increase (decrease) in cash and cash equivalents	(2,723)	573
Cash and cash equivalents at beginning of period	64,202	61,376
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(101)	–
Cash and cash equivalents at end of period	61,376	61,950

(5) Notes to Consolidated Financial Statements
(Note Regarding the Company's Position as a Going Concern)

Not applicable

(Change of Presentation)

(Change due to Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Company and its consolidated subsidiaries have applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year ending April 30, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

(Basis of Presentation of Consolidated Financial Statements)

1. Consolidation scope

- | | |
|-----------------------------------|--------------|
| (1) Consolidated subsidiaries | 31 companies |
| (2) Non-consolidated subsidiaries | 2 companies |

2. Application of equity method

- | | |
|--|-------------|
| (1) Equity - method applied to non-consolidated subsidiaries | 2 companies |
| (2) Equity - method applied to affiliated | 3 companies |
| (3) Equity - method unapplied to affiliated | 3 companies |

(Notes to Consolidated Statements of Income)

- *1. Ending finished goods represents the amount after write-down of the book value in accordance with the declining in profitability of assets and the following loss on valuation of inventories is included in cost of sales.

	Million yen	
	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Cost of sales	124	25

- *2. Main items of selling, general and administrative expenses

	Million yen	
	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Selling commission	81,615	84,760
Salaries and wages to employees	43,572	44,292
Transportation	14,188	15,210
Advertising	12,491	11,544
Depreciation	10,873	11,296
Provision for bonuses	3,114	3,909
Retirement and severance benefit costs for employees	1,827	1,851
Research and development expenses	1,786	1,833
Lease payment	1,495	1,533
Allowance for doubtful accounts	(18)	10

- *3. Breakdown of gain on sales of non-current assets is as follows.

	Million yen	
	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Buildings and structures	0	–
Machinery, equipment and vehicles	8	9
Tools, furniture and fixtures	0	0
Total	9	9

- *4. Compensation income

As extraordinary income, a compensation payment related to discontinuation of system development was recorded.

- *5. Breakdown of loss on abandonment of non-current assets is as follows.

	Million yen	
	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Buildings and structures	17	18
Machinery, equipment and vehicles	9	0
Tools, furniture and fixtures	1	12
Software	2	114
Other	20	51
Total	51	197

*6. Impairment loss

The ITO EN Group recognized impairment losses on the assets group listed below.

For the fiscal year ended April 30, 2018 (May 1, 2017 - April 30, 2018)

Location	Use	Type of assets	Impairment loss (million yen)
Yokohama-shi, Kanagawa, etc.	Store, etc. (Tully's Coffee Japan Co., Ltd.)	Buildings, etc.	455

In the case of the consolidated subsidiary Tully's Coffee Japan Co., Ltd., asset grouping is conducted with each shop as the basic unit of measurement, as these are the smallest units of cash flow generation. Out of the stores stated in the above, for those incurred continuous deficits in cash flows arising from operating activities, the book values of their assets were reduced to recoverable values and recorded as impairment loss in extraordinary losses, amounting to 455 million yen (buildings and structures 386 million yen, tools, furniture and fixtures 60 million yen, and other 8 million yen) as of the fiscal year ended April 30, 2018. The recoverable amount was determined through measurement of the value in use, which is calculated as zero.

For the fiscal year ended April 30, 2019 (May 1, 2018 - April 30, 2019)

Location	Use	Type of assets	Impairment loss (million yen)
Fujisawa-shi, Kanagawa, etc.	Store, etc. (Tully's Coffee Japan Co., Ltd.)	Buildings, etc.	465
Shiroishi-ku, Sapporo-shi, Hokkaido, etc.	Business assets (TSUCHIKURA Co., Ltd.)	Land, etc.	22

In the case of the consolidated subsidiary Tully's Coffee Japan Co., Ltd., asset grouping is conducted with each shop as the basic unit of measurement, as these are the smallest units of cash flow generation. Out of the stores stated in the above, for those incurred continuous deficits in cash flows arising from operating activities, the book values of their assets were reduced to recoverable values and recorded as impairment loss in extraordinary losses, amounting to 465 million yen (buildings and structures 369 million yen, tools, furniture and fixtures 42 million yen, and other 53 million yen) as of the fiscal year ended April 30, 2019. The recoverable amount was determined through measurement of the value in use, which is calculated as zero.

In the case of the consolidated subsidiary TSUCHIKURA Co., Ltd., whole assets are grouped as a single asset group, because the company conducts a single business. For this fiscal year under review, the book values of its assets were reduced to recoverable values and recorded as impairment loss in extraordinary losses, amounting to 22 million yen (land 14 million yen, machinery and equipment 6 million yen and other assets 1 million yen) as of the fiscal year ended April 30, 2019, because it incurred continuous deficits in profit and loss arising from operating activities. The recoverable amount was measured at their net realizable values, while the amount of land was determined based on its appraisal value or devaluation of property, plant and equipment. But the net realizable values of the other assets are calculated as zero, because they are difficult to sell or to convert to other uses.

*7. Loss on abandonment of inventories

Please note that as extraordinary losses, we reported 673 million yen in cost related to the disposal of products that fail to meet the company's quality standards.

(Segment Information, etc.)

1. Outline of reporting segments

The ITO EN Group reporting segments shall be part of our organizational units whose financial information is individually available, and shall be subject to regular review by its Board of Directors for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The ITO EN Group is engaged in the manufacture, purchase and sales of products of tea leaves/beverages in both domestic and overseas markets as its mainstay business and also is engaged in restaurant business. As such, our reporting segments consist of “Tea Leaves/Beverage Businesses,” “Restaurant Business,” and “Others.”

2. Basis for calculating sales, profit or loss, assets, liabilities, and other items by reporting segment

Accounting treatment for reporting segments is the same as basis of preparation for the consolidated financial statements.

Profit of reporting segments is based on operating income.

Sales and transfer of intersegment are based on prevailing market price.

3. Information regarding amounts of sales, profit or loss, assets, liabilities, and other items by reporting segment

For the fiscal year ended April 30, 2018 (May 1, 2017 - April 30, 2018)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	455,603	32,570	6,619	494,793	–	494,793
(2) Intersegment	391	18	2,977	3,387	(3,387)	–
Total net sales	455,995	32,589	9,596	498,181	(3,387)	494,793
Segment profits (losses)	19,151	3,250	939	23,341	(1,298)	22,043
Segment assets	265,577	15,766	6,812	288,155	13,012	301,167
Others:						
(1) Depreciation	12,117	964	140	13,222	–	13,222
(2) Amortization of goodwill	213	–	69	282	1,536	1,819
(3) Investments to entities accounted for using equity method	1,313	–	–	1,313	–	1,313
(4) Increase in property, plant and equipment and intangible assets	12,631	2,186	16	14,834	–	14,834

Notes: i. The segment profits (losses) adjustment (1,298) million yen includes (1,536) million yen in amortization of goodwill and 238 million yen in intersegment transactions.

ii. The segment assets adjustment 13,012 million yen is unamortized balance of goodwill, and etc.

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

For the fiscal year ended April 30, 2019 (May 1, 2018 - April 30, 2019)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	462,841	34,555	6,756	504,153	–	504,153
(2) Intersegment	437	12	2,792	3,242	(3,242)	–
Total net sales	463,278	34,568	9,549	507,396	(3,242)	504,153
Segment profits (losses)	19,806	3,504	771	24,083	(1,263)	22,819
Segment assets	268,533	17,015	6,467	292,017	11,964	303,981
Others:						
(1) Depreciation	12,331	940	139	13,411	–	13,411
(2) Amortization of goodwill	211	–	69	280	1,496	1,777
(3) Investments to entities accounted for using equity method	1,514	–	–	1,514	–	1,514
(4) Increase in property, plant and equipment and intangible assets	10,843	1,491	47	12,383	–	12,383

Notes: i. The segment profits (losses) adjustment (1,263) million yen includes (1,496) million yen in amortization of goodwill and 232 million yen in intersegment transactions.

ii. The segment assets adjustment 11,964 million yen is unamortized balance of goodwill, and etc.

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

(Notes to Per Share Data)

For the fiscal year ended April 30, 2018 and 2019 (May 1, 2017 - April 30, 2018 and May 1, 2018 - April 30, 2019)

	Yen	
	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Common Stock		
Net assets per share	1,165.80	1,229.28
Earnings per share	99.79	116.02
Earnings per share (diluted)	99.54	115.74
Class-A Preferred Stock		
Net assets per share	1,170.80	1,234.28
Earnings per share	109.75	126.00
Earnings per share (diluted)	109.50	125.72

Note: The basis for calculating earnings per share and earnings per share (diluted) is as follows:

	Fiscal year ended April 30, 2018	Fiscal year ended April 30, 2019
Earnings per share		
Profit attributable to owners of parent (Million yen)	12,553	14,462
Profit attributable to owners of parent pertaining to common stock (Million yen)	8,851	10,275
Profit attributable to owners of parent pertaining to Class-A Preferred Stock (Million yen)	3,701	4,186
Weighted average number of shares of common stock (Thousands of shares)	88,704	88,567
Weighted average number of shares of Class-A Preferred Stock (Thousands of shares)	33,724	33,226
Earnings per share (diluted)		
Adjustments to profit attributable to owners of parent (Million yen)	-	-
Increase in common stock (Thousands of shares)	307	291
(*Stock acquisition rights (Thousands of shares))	(307)	(291)
Profit attributable to owners of parent pertaining to common stock (Million yen)	8,860	10,284
Profit attributable to owners of parent pertaining to Class-A Preferred Stock (Million yen)	3,692	4,177
Summary of potentially dilutive shares not included in the calculation of earnings per share (diluted) due to their anti-dilutive effect	-	-

(Notes to Subsequent Events)

Not applicable