

Consolidated Financial Results

Under Japanese Standards for the Third Quarter of the fiscal year ending April 30, 2020 (Unaudited)

Scheduled filing date of quarterly securities report: March 13, 2020

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly results prepared: Yes

Quarterly results presentation: None

(Figures are rounded down to million yen.)

1. Consolidated Performance for the Third Quarter of the Fiscal Year Ending April 30, 2020 (May 1, 2019 - January 31, 2020)

(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	
1/31/2020	379,214	-2.5%	17,852	8.6%	17,690	6.7%	11,299	10.2%
1/31/2019	389,099	3.4%	16,437	0.8%	16,584	4.7%	10,258	14.6%

Note: Comprehensive income 1/31/2020: 10,452 million yen (7.0%) 1/31/2019: 9,772 million yen (-4.2%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
1/31/2020	91.79		91.57	
1/31/2019	82.82		82.63	

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	Million yen	
1/31/2020	291,072	154,229	52.5%
4/30/2019	303,981	150,923	49.2%

Reference: Shareholders' equity 1/31/2020: 152,808 million yen 4/30/2019: 149,661 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
4/30/2019	–	20.00	–	20.00	40.00
4/30/2020	–	20.00	–		
4/30/2020 (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, 2020 (May 1, 2019 - April 30, 2020)

(% 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
4/30/2020	498,000	-1.2%	23,000	0.8%	22,800	-1.8%	14,200	-1.8%	114.21

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)	1/31/2020	89,212,380 shares	4/30/2019	89,212,380 shares
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ii. Number of treasury stock	1/31/2020	1,025,928 shares	4/30/2019	656,736 shares
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iii. Average number of shares during the period	1/31/2020	88,246,287 shares	1/31/2019	88,572,201 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, 2019 – January 31, 2020)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
1/31/2020	96.79	96.57
1/31/2019	87.82	87.62

(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
4/30/2019	–	25.00	–	25.00	50.00
4/30/2020	–	25.00	–		
4/30/2020 (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
4/30/2020	124.16

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)	1/31/2020	34,246,962 shares	4/30/2019	34,246,962 shares
ii. Number of treasury stock	1/31/2020	1,191,640 shares	4/30/2019	1,189,831 shares
iii. Average number of shares during the period	1/31/2020	33,056,411 shares	1/31/2019	33,276,977 shares

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1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

(1) Explanations Regarding Consolidated Results of Operations

During the Third quarter of the fiscal year ending April 30, 2020 (May 1, 2019 - January 31, 2020), the Japanese economy has continued a trend of gradual recovery in part due to improvements in the employment/income environment and the effect of various policies.

In the beverage industry, the business environment continues to be tough because of the persistent competitive sales environment between the various companies, as well as the effect of natural disasters, despite personal spending picking up.

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 Third quarter of the fiscal year ending April 30, 2020 was as follows. Please note that as extraordinary losses, we reported 120 million yen in costs related to disasters due to Typhoon No. 19 of 2019, etc.

Net sales	379,214 million yen, down	2.5% year on year
Operating income	17,852 million yen, up	8.6% year on year
Ordinary income	17,690 million yen, up	6.7% year on year
Profit attributable to owners of parent	11,299 million yen, up	10.2% year on year

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

Last December, our independently developed plastic bottle for the “*Oi Ocha*” brand, which is suitable for use in microwave ovens, won a “WorldStar Award” in the Beverages category at the “WorldStar Packaging Awards 2020,” which is sponsored by the World Packaging Organisation. This bottle was well received due to being a “100% recyclable plastic bottle” that has a lower burden on the environment, in addition to having a “universal design” that can be reheated safely by anyone without using fire or boiling water. ITO EN will continue working to develop beverage products that customers around the world can savor and drink with peace of mind while enhancing the development of environmentally friendly containers that have high functionality and safety.

In addition, we launched “*Oi Ocha*” products with cherry blossom packaging, which is limited edition packaging for spring. At the same time, we are implementing the “Rediscover the “Charm of Japan” with *Oi Ocha!* Invitation Campaign,” where customers can experience the wonderful Japanese culture, which is globally acclaimed, through “*Oi Ocha*.” As a leading tea company, we will continue to take on challenges for further development so that “*Oi Ocha*,” whose history advances with the times, will be loved by people as “more familiar Japanese tea.”

In our “*TEAs’ TEA NEW AUTHENTIC*” black tea products, we launched “*TEAs’ TEA NEW AUTHENTIC Chai with Milk*” milk tea last December that has a deep, yet subtle flavor with an accent of ginger, and “*TEAs’ TEA NEW AUTHENTIC Fresh Apple-Flavored Tea*” black tea in January that provides a new sensation with tea extracted from black tea leaves together with raw apples. Through the “*TEAs’ TEA NEW AUTHENTIC*” products, we will continue to provide the “new enjoyment of tea” to customers and pursue further possibilities while valuing the delicious original taste of black tea.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 347,353 million yen, down 3.0% year on year, and operating income of 15,445 million yen, up 12.1%.

<Restaurant Business>

Tully’s Coffee Japan Co., Ltd. released the seasonal limited beverages, “*Mascarpone Tiramisu Latte*” and “*Irish Latte*,” which gained popularity. In addition, “cake sets” such as with the “*Red Chocolate Berry Chiboust*” also performed favorably, and sales of sweets increased. New coffee shop openings have been smooth with the total number of coffee shops at present being 742.

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 27,255 million yen, up 4.3% year on year, and operating income of 2,878 million yen, down 3.2%.

<Others>

The Others recorded net sales of 4,606 million yen, down 6.8% year on year, and operating income of 446 million yen, down 29.6%.

(2) Explanations Regarding Consolidated Financial Position

The following is a consolidated financial position for the Third quarter of the fiscal year ending April 30, 2020.

Total assets as of January 31, 2020 stood at 291,072 million yen, decreased by 12,909 million yen from the end of the previous fiscal year. These changes in total assets mainly reflected decreases of 1,799 million yen in “Merchandise and finished goods,” 6,964 million yen in “Notes and accounts receivable-trade” 3,333 million yen in “Leased assets” and 1,472 million yen in “Goodwill.”

Liabilities as of January 31, 2020 stood at 136,842 million yen, decreased by 16,215 million yen from the end of the previous fiscal year. This mainly reflected decreases of 6,159 million yen in “Notes and accounts payable - trade,” 2,136 million yen in “Income taxes payable,” 2,174 million yen in “Provision for bonuses,” 1,963 million yen in “Accrued expenses,” and 2,402 million yen in “Lease obligations.”

Net assets as of January 31, 2020 stood at 154,229 million yen, increased by 3,306 million yen from the end of the previous fiscal year. This mainly reflected an increase of 11,299 million yen in “Retained earnings” due to “Profit attributable to owners of parent,” a decrease of 5,187 million yen in “Retained earnings” due to “Dividends of surplus,” and a decrease of 1,998 million yen in “Treasury shares” due to purchase of treasury shares.

(3) Explanations Regarding Forecasts for Consolidated Results and Future Outlook

Based on factors such as the progress of business performance and the recent business environment in the Third quarter of the fiscal year ending April 30, 2020, the forecasted consolidated results for the full fiscal year remain unchanged.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2019 and January 31, 2020

(Millions of yen)

	As of April 30, 2019	As of January 31, 2020
Assets		
Current assets		
Cash and deposits	63,738	63,218
Notes and accounts receivable - trade	56,581	49,616
Merchandise and finished goods	35,079	33,280
Raw materials and supplies	8,509	10,078
Other	13,615	11,819
Allowance for doubtful accounts	(74)	(84)
Total current assets	177,449	167,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,289	22,198
Land	22,335	22,266
Leased assets, net	19,389	16,056
Other, net	20,170	22,874
Total property, plant and equipment	84,186	83,395
Intangible assets		
Goodwill	14,729	13,257
Other	4,227	3,684
Total intangible assets	18,956	16,941
Investments and other assets		
Other	23,638	23,018
Allowance for doubtful accounts	(248)	(212)
Total investments and other assets	23,389	22,805
Total non-current assets	126,532	123,143
Total assets	303,981	291,072
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,181	24,021
Short-term loans payable	2,020	6,220
Lease obligations	5,051	4,175
Accrued expenses	24,839	22,875
Income taxes payable	4,660	2,523
Provision for bonuses	4,370	2,195
Other	5,350	4,605
Total current liabilities	76,473	66,617
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	44,522	39,272
Lease obligations	7,450	5,924
Net defined benefit liability	10,313	10,616
Other	4,299	4,412
Total non-current liabilities	76,585	70,225
Total liabilities	153,058	136,842

Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2019	As of January 31, 2020
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,640	18,647
Retained earnings	119,242	125,354
Treasury shares	(4,547)	(6,508)
Total shareholders' equity	153,248	157,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,279	1,822
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	671	20
Remeasurements of defined benefit plans	(484)	(388)
Total accumulated other comprehensive income	(3,586)	(4,598)
Share acquisition rights	133	147
Non-controlling interests	1,127	1,273
Total net assets	150,923	154,229
Total liabilities and net assets	303,981	291,072

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1 to January 31, 2019 and 2020

Quarterly Consolidated Statement of Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2019	Nine months ended January 31, 2020
Net sales	389,099	379,214
Cost of sales	205,949	196,819
Gross profit	183,149	182,394
Selling, general and administrative expenses	166,712	164,542
Operating income	16,437	17,852
Non-operating income		
Interest income	53	73
Dividend income	68	75
Share of profit of entities accounted for using equity method	192	73
Other	402	449
Total non-operating income	717	671
Non-operating expenses		
Interest expenses	360	272
Foreign exchange losses	15	332
Other	195	229
Total non-operating expenses	570	834
Ordinary income	16,584	17,690
Extraordinary income		
Gain on sales of non-current assets	9	4
Gain on donation of non-current assets	2	8
Gain on sales of investment securities	551	170
Compensation income	44	48
Other	0	2
Total extraordinary income	608	234
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on abandonment of non-current assets	140	30
Loss on valuation of investment securities	10	4
Loss on sales of investment securities	13	–
Impairment loss	160	112
Loss on abandonment of inventories	673	–
Loss on disaster	69	120
Total extraordinary losses	1,068	268
Income before income taxes	16,124	17,656
Income taxes	5,606	6,164
Net income	10,517	11,492
Profit attributable to non-controlling interests	259	192
Profit attributable to owners of parent	10,258	11,299

Quarterly Consolidated Statement of Comprehensive Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2019	Nine months ended January 31, 2020
Net income	10,517	11,492
Other comprehensive income		
Valuation difference on available-for-sale securities	(600)	(413)
Foreign currency translation adjustment	(236)	(668)
Remeasurements of defined benefit plans, net of tax	100	96
Share of other comprehensive income of entities accounted for using equity method	(8)	(54)
Total other comprehensive income	(745)	(1,039)
Comprehensive income	9,772	10,452
Comprehensive income attributable to owners of parent	9,547	10,287
Comprehensive income attributable to non-controlling interests	225	165

(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, 2019 (May 1, 2018 – January 31, 2019)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Other	Total		
Net sales:						
(1) Outside	358,022	26,135	4,941	389,099	–	389,099
(2) Intersegment	330	10	2,159	2,500	(2,500)	–
Total net sales	358,353	26,145	7,101	391,600	(2,500)	389,099
Segment profits (losses)	13,776	2,972	633	17,382	(944)	16,437

Notes: i. The segment profits (losses) adjustment includes (1,122) million yen in amortization of goodwill and 178 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, 2020 (May 1, 2019 – January 31, 2020)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Other	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.