

Consolidated Financial Results

Under Japanese Standards for the Third Quarter of the fiscal year ending April 30, 2019 (Unaudited)

Scheduled filing date of quarterly securities report: March 14, 2019

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

(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	
1/31/2019	389,099	3.4%	16,437	0.8%	16,584	4.7%	10,258	14.6%
1/31/2018	376,371	3.2%	16,312	-5.9%	15,846	-9.8%	8,949	-22.6%

Note: Comprehensive income 1/31/2019: 9,772 million yen (-4.2%) 1/31/2018: 10,196 million yen (-21.2%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
1/31/2019	82.82	82.63
1/31/2018	71.69	71.51

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	
1/31/2019	285,372	146,672	50.9%
4/30/2018	301,167	143,750	47.3%

Reference: Shareholders' equity 1/31/2019: 145,212 million yen 4/30/2018: 142,536 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
4/30/2018	–	20.00	–	20.00	40.00
4/30/2019	–	20.00	–		
4/30/2019 (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, 2019 (May 1, 2018 - April 30, 2019)

(% 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
4/30/2019	507,800	2.6%	23,000	4.3%	22,500	4.9%	14,000	11.5%	111.61

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

Note: The above “Earnings per share” pertains to Common Stock. For “Earnings per share” 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)	1/31/2019	89,212,380 shares	4/30/2018	89,212,380 shares
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ii. Number of treasury stock	1/31/2019	659,872 shares	4/30/2018	499,602 shares
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iii. Average number of shares during the period	1/31/2019	88,572,201 shares	1/31/2018	88,702,763 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, 2018 – January 31, 2019)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
1/31/2019	87.82	87.62
1/31/2018	76.69	76.51

(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
4/30/2018	–	25.00	–	25.00	50.00
4/30/2019	–	25.00	–		
4/30/2019 (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
	Yen
4/30/2019	121.57

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)	1/31/2019	34,246,962 shares	4/30/2018	34,246,962 shares
ii. Number of treasury stock	1/31/2019	1,115,412 shares	4/30/2018	837,653 shares
iii. Average number of shares during the period	1/31/2019	33,276,977 shares	1/31/2018	33,783,347 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, 2019 (May 1, 2018 – January 31, 2019), the Japanese economy has continued a trend of gradual recovery as the improvement was seen in corporate earnings and the employment situation.

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 Third quarter of the fiscal year ending April 30, 2019 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 69 million yen in cost related to disaster due to the Heavy Rain Event of July 2018, etc.

Net sales	389,099 million yen, up	3.4%
Operating income	16,437 million yen, up	0.8%
Ordinary income	16,584 million yen, up	4.7%
Profit attributable to owners of parent	10,258 million yen, up	14.6%

Performance by each of the business segments was as follows.

<Tea Leaves and Beverages Business>

In a bid to strengthen the development of matcha green tea as one of our growth businesses, we have established a new brand of Uji matcha tea, “YOMONOHARU.” We began using tea of the new brand for several products in November 2018. This is part of our long-term vision of becoming a “Global Tea Company.”

In recent years, matcha has spread widely not only for beverages but also for making food and confectionery. Overseas, there are many products using matcha at cafes and other places and matcha is more and more recognized as “*super food*” for its healthiness. The market for matcha is expected to expand further both in Japan and abroad. This is why we established the new brand.

We adopted the brand name “YOMONOHARU” because it indicates “*the beginning of a new thing*” and “*happy (congratulatory)*” with our intention of proposing a new way of enjoying matcha.

In addition to developing new products that use “YOMONOHARU,” we will communicate the charm of matcha and a new way to enjoy it by way of opportunities like “ITO EN Dai-Cha-Kai,” a tea-tasting event, to convey the attractiveness of Japanese tea. We will lead the green tea (matcha) market in Japan and in the world by enhancing the Company’s share of mind as “ITO EN of green tea” and “ITO EN of matcha.”

Overseas, “MATCHA GREEN TEA” a leaf product offered in “Global Brand” mainly in the U.S. and China, and sugar-free tea beverages like “Oi Ocha” steadily increased sales driven by the global boom of Japanese food and matcha green tea as well as the increasing health-conscious trend.

The top green tea beverage brand “Oi Ocha” saw its 30th anniversary since the Company changed the name of its canned green tea drink, launched in 1985, to the present one on February 1, 1989. ITO EN launched the world’s first PET bottle green tea product in March 1990. The company later released products meeting changes in lifestyles and in the selling environment, launching a heatable PET bottle product in October 2000, introducing environment-friendly lighter and thinner PET bottles in June 2010, and adopting PET bottles that can be heated in microwave ovens in September 2016. Accumulated sales of “Oi Ocha” in the 30 years surpassed 31 billion units in terms of 525-milliliter PET bottles. We intend to develop “Oi Ocha” further and make it progress along with the Japanese culture.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 358,022 million yen, up 3.2% year on year, and operating income of 13,776 million yen, down 0.7%.

<Restaurant Business>

Tully’s Coffee Japan Co., Ltd. released a seasonal limited beverage, “Kuromitsu Kinako Matcha Latte,” and other popular products. A new pasta product, “Pasta with three types of cheese with Pecorino Romano flavor,” also performed well as it met the need for a meal at a cafe. The number of coffee shops totaled 723 as the subsidiary opened new shops one after another, including one in the Tokyo Chamber of Commerce and Industry Building at Tokyo’s Marunouchi district.

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 26,135 million yen, up 6.1% year on year, and operating income of 2,972 million yen, up 9.8%.

<Others>

The Others recorded net sales of 4,941 million yen, up 2.7% year on year, and operating income of 633 million yen, down 6.1%.

(2) Explanations Regarding Consolidated Financial Position

The following is a consolidated financial position for the Third quarter of the fiscal year ending April 30, 2019.

Total assets at the end of January 31, 2019 stood at 285,372 million yen, decreased by 15,795 million yen from the previous fiscal year. These changes in total assets mainly reflected decreases of 2,438 million yen in “Cash and deposits,” 9,860 million yen in “Notes and accounts receivable-trade” and 3,756 million yen in “Leased assets.”

Liabilities at the end of January 31, 2019 stood at 138,699 million yen, decreased by 18,716 million yen from the previous fiscal year. These changes in liabilities mainly reflected decreases of 6,457 million yen in “Notes and accounts payable-trade,” 3,285 million yen in “Accrued expenses” and 4,010 million yen in “Lease obligations.”

Net assets at the end of January 31, 2019 stood at 146,672 million yen, increased by 2,921 million yen from the previous fiscal year. This mainly reflected an increase of 10,258 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,” and a decrease of 1,689 million yen in “Treasury shares” due to purchase of treasury shares.

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

As for the consolidated business outlook for the full fiscal year, no changes have been made to the forecasts that were announced on June 1, 2018.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

As of April 30, 2018 and January 31, 2019

(Millions of yen)

	As of April 30, 2018	As of January 31, 2019
Assets		
Current assets		
Cash and deposits	61,664	59,225
Notes and accounts receivable - trade	58,083	48,222
Merchandise and finished goods	30,833	31,322
Raw materials and supplies	7,875	9,571
Other	12,451	10,325
Allowance for doubtful accounts	(69)	(79)
Total current assets	170,838	158,588
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,592	22,352
Land	21,745	22,188
Leased assets, net	24,010	20,254
Other, net	17,474	19,359
Total property, plant and equipment	84,822	84,155
Intangible assets		
Goodwill	16,364	15,017
Other	5,224	4,363
Total intangible assets	21,588	19,380
Investments and other assets		
Other	24,197	23,505
Allowance for doubtful accounts	(279)	(257)
Total investments and other assets	23,918	23,248
Total non-current assets	130,329	126,784
Total assets	301,167	285,372
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,879	23,421
Short-term loans payable	2,020	2,020
Lease obligations	7,002	5,427
Accrued expenses	25,896	22,611
Income taxes payable	3,948	2,341
Provision for bonuses	3,480	1,820
Other	4,961	3,952
Total current liabilities	77,187	61,595
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	45,922	44,872
Lease obligations	10,282	7,846
Net defined benefit liability	9,922	10,216
Other	4,101	4,169
Total non-current liabilities	80,228	77,104
Total liabilities	157,416	138,699

Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2018	As of January 31, 2019
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,645	18,640
Retained earnings	110,066	115,036
Treasury shares	(2,798)	(4,377)
Total shareholders' equity	145,826	149,212
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,951	2,352
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	337	125
Remeasurements of defined benefit plans	(525)	(425)
Total accumulated other comprehensive income	(3,289)	(4,000)
Share acquisition rights	97	122
Non-controlling interests	1,116	1,337
Total net assets	143,750	146,672
Total liabilities and net assets	301,167	285,372

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1, 2018 to January 31, 2019

Quarterly Consolidated Statement of Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2018	Nine months ended January 31, 2019
Net sales	376,371	389,099
Cost of sales	198,485	205,949
Gross profit	177,885	183,149
Selling, general and administrative expenses	161,572	166,712
Operating income	16,312	16,437
Non-operating income		
Interest income	54	53
Dividend income	68	68
Share of profit of entities accounted for using equity method	120	192
Other	437	402
Total non-operating income	680	717
Non-operating expenses		
Interest expenses	512	360
Foreign exchange losses	348	15
Other	285	195
Total non-operating expenses	1,147	570
Ordinary income	15,846	16,584
Extraordinary income		
Gain on sales of non-current assets	9	9
Gain on donation of non-current assets	23	2
Gain on sales of investment securities	0	551
Other	0	44
Total extraordinary income	33	608
Extraordinary losses		
Loss on sales of non-current assets	–	0
Loss on abandonment of non-current assets	38	140
Loss on valuation of investment securities	–	10
Loss on sales of investment securities	–	13
Impairment loss	237	160
Loss on abandonment of inventories	–	673
Loss on disaster	–	69
Other	1	–
Total extraordinary losses	278	1,068
Income before income taxes	15,600	16,124
Income taxes	6,579	5,606
Net income	9,021	10,517
Profit attributable to non-controlling interests	71	259
Profit attributable to owners of parent	8,949	10,258

Quarterly Consolidated Statement of Comprehensive Income [Third quarter period]

(Millions of yen)

	Nine months ended January 31, 2018	Nine months ended January 31, 2019
Net income	9,021	10,517
Other comprehensive income		
Valuation difference on available-for-sale securities	676	(600)
Foreign currency translation adjustment	291	(236)
Remeasurements of defined benefit plans, net of tax	87	100
Share of other comprehensive income of entities accounted for using equity method	119	(8)
Total other comprehensive income	1,175	(745)
Comprehensive income	10,196	9,772
Comprehensive income attributable to owners of parent	10,089	9,547
Comprehensive income attributable to non-controlling interests	107	225

(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.

(Additional information)

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

The Group has 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 First quarter 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."

(Segment Information, etc.)

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

For the Third quarter of the fiscal year ended April 30, 2018 (May 1, 2017 - January 31, 2018)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Other	Total		
Net sales:						
(1) Outside	346,936	24,624	4,810	376,371	-	376,371
(2) Intersegment	291	16	2,260	2,569	(2,569)	-
Total net sales	347,228	24,640	7,071	378,940	(2,569)	376,371
Segment profits (losses)	13,875	2,707	675	17,258	(945)	16,312

Notes: i. The segment profits (losses) adjustment includes (1,124) million yen in amortization of goodwill and 179 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 Third quarter of the fiscal year ending 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.