

## Consolidated Financial Results

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

Scheduled filing date of quarterly securities report: September 12, 2018

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly results prepared: Yes

Quarterly results presentation held: None

(FIGURES ARE ROUNDED DOWN TO MILLION YEN.)

### 1. Consolidated Performance for the First Quarter of the Fiscal Year Ending April 30, 2019 (May 1, 2018 - July 31, 2018)

#### (1) Consolidated Results of Operations – cumulative

(% indicates year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen		Million yen		Million yen		Million yen	
7/31/2018	139,568	2.3%	6,068	-4.0%	6,381	3.9%	3,431	-7.1%
7/31/2017	136,451	5.7%	6,323	-3.1%	6,141	7.3%	3,692	3.2%

Note: Comprehensive income 7/31/2018: 3,863 million yen (-7.3%) 7/31/2017: 4,166 million yen (146.7%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2018	28.13	28.06
7/31/2017	30.15	30.07

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	
7/31/2018	305,426	143,648	46.6%
4/30/2018	301,167	143,750	47.3%

Reference: Shareholders' equity 7/31/2018: 142,336 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	–	–	–	–	–
4/30/2019 (Forecast)	–	20.00	–	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
10/31/2018	273,800	3.0%	14,800	2.1%	14,600	-0.0%	9,000	-2.7%	72.13
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 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)	7/31/2018	89,212,380 shares	4/30/2018	89,212,380 shares
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ii. Number of treasury stock	7/31/2018	696,402 shares	4/30/2018	499,602 shares
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iii. Average number of shares during the period	7/31/2018	88,617,488 shares	7/31/2017	88,693,717 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 – July 31, 2018)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2018	28.13	28.06
7/31/2017	30.15	30.07

### (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	–				
4/30/2019 (Forecast)		25.00	–	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
10/31/2018	77.14
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)	7/31/2018	34,246,962 shares	4/30/2018	34,246,962 shares
ii. Number of treasury stock	7/31/2018	984,113 shares	4/30/2018	837,653 shares
iii. Average number of shares during the period	7/31/2018	33,343,628 shares	7/31/2017	33,785,346 shares

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# 1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

## (1) Explanations Regarding Consolidated Results of Operations

During the First quarter of the fiscal year ending April 30, 2019 (May 1, 2018 – July 31, 2018), the Japanese economy has continued a trend of gradual recovery in part due to the improvement in corporate earnings and the employment situation.

In the beverage industry, the business environment continues to be tough because of the persistent thriftiness.

Under these business conditions, in keeping with the management principle of “Always Putting the Customer First,” the ITO EN Group vigorously engaged in business activities while constantly seeking to identify and address areas of customer dissatisfaction in the beverage market.

As a result, the business performance for the First quarter of the fiscal year ending April 30, 2019 was as follows. Please note that as extraordinary losses, we reported 672 million yen in cost related to the disposal of products that fail to meet the company’s quality standards and 36 million yen in cost related to disaster due to the heavy rain in July 2018.

Net sales	139,568 million yen, up 2.3%
Operating income	6,068 million yen, down 4.0%
Ordinary income	6,381 million yen, up 3.9%
Profit attributable to owners of parent	3,431 million yen, down 7.1%

Performance by each of the business segments was as follows.

### <Tea Leaves and Beverages Business>

#### [Domestic tea leaf products]

Holding “*Dai-Cha-Kai*” (green tea demonstration sales and tasting events) and “Seminar on how to brew delicious tea,” we have proposed how to brew and enjoy delicious tea in different seasons and obtained a good reputation. In this season with increasing heat, we proposed the ice-cold brewing that provides the sweetness of green tea leaves with ease.

#### [Domestic beverage products]

In relation to the mainstay product “*Oi Ocha*” (green tea), we launched “*Oi Ocha Shinryoku*” (fresh green), which has fresh and soft flavors, on May 1. Keeping the concept of the “*Oi Ocha*” brand, the new product provides fresh and soft flavors and a sweet and refreshing aftertaste as we use 100% Japanese-made first-grade tea with a rich taste. Using frozen leaves in part and brewing all leaves at the lowest possible temperatures, we have extracted tea with a freshness we feel when we breathe deeply in the season of fresh green. For the product, we introduced a new shaped bottle that is easy to hold and put in bags, designing it with an accentuated vivid and transparent gold color of tea. These features have gained a good reputation from more customers. About three months into its launch, sales exceeded one million cases (on a delivery basis).

“*Kenko Mineral Mugicha*” (healthy mineral barley tea), the best-selling non-caffeinated tea product, has continued to sell well, as a tasty beverage that is safe to all the family and prevents dehydration and supplements minerals year-round.

“*TULLY’S COFFEE*,” which is a coffee beverage, has continued to grow as a beverage with a professional quality, supervised by a Tully’s Coffee barista who pursues the utmost excellence in the coffee beans, roasting, and extraction. In April 2018, accumulated sales surpassed 100 million cases (since the sale of the “*TULLY’S COFFEE*” brand started in May 2007).

#### [Overseas tea leaf products]

ITO EN has actively been selling continuously “*MATCHA GREEN TEA*” offered in “Global Brand,” particularly in the U.S. and China.

#### [Overseas beverage products]

ITO EN (North America) INC. has steadily increased sales of sugar-free tea beverages such as “*Oi Ocha*” (green tea) driven by the global boom of Japanese food and matcha green tea as well as the increasing health-conscious trend. In addition, Distant Lands Trading Co., which engages in the entire process from cultivation to sales of coffee beans, mainly in the U.S., will continue to pursue synergies through measures such as sales of our Group’s products to its main customers, namely food service chain operators.

As a result of these activities, the Tea Leaves and Beverages Business recorded net sales of 129,241 million yen, up 1.9% year on year, and operating income of 5,124 million yen, down 6.8%.

### <Restaurant Business>

Tully's Coffee Japan Co., Ltd. released seasonal limited beverages such as "Chocolista (Shake)," "Matchalista (Shake)," "Grapefruit Separate Tea," and "Tapioca Hojicha Latte," which are popular. Also, food items such as "Classic Pancake with maple butter" are also popular. New coffee shop openings have been smooth with the total number of coffee shops at present being 712.

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 8,542 million yen, up 8.9% year on year, and operating income of 1,013 million yen, up 20.3%.

### <Others>

The Others recorded net sales of 1,784 million yen, down 1.5% year on year, and operating income of 246 million yen, down 18.6%.

## (2) Explanations Regarding Consolidated Financial Position

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

#### (Assets)

Total assets at the end of July 31, 2018 stood at 305,426 million yen, increased by 4,258 million yen from the previous fiscal year. The main changes are as follows.

Decrease in cash and deposits	10,703 million yen
Increase in notes and accounts receivable - trade	9,918 million yen
Increase in merchandise and finished goods	3,883 million yen
Increase in raw materials and supplies	1,693 million yen

#### (Liabilities)

Liabilities at the end of July 31, 2018 stood at 161,777 million yen, increased by 4,361 million yen from the previous fiscal year. The main changes are as follows.

Increase in notes and accounts payable - trade	6,489 million yen
Decrease in income taxes payable	1,645 million yen
Increase in accrued expenses	2,519 million yen
Decrease in provision for bonuses	1,591 million yen
Decrease in lease obligations	1,196 million yen

#### (Net assets)

Total assets at the end of July 31, 2018 stood at 143,648 million yen, decreased by 102 million yen from the previous fiscal year. The main changes are as follows.

Increase in retained earnings due to profit attributable to owners of parent	3,431 million yen
Decrease in retained earnings due to dividends from surplus	2,609 million yen
Decrease in treasury stock	1,376 million yen

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

As for the consolidated business outlook for the first half year and 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 July 31, 2018

(Millions of yen)

	As of April 30, 2018	As of July 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	61,664	50,961
Notes and accounts receivable - trade	58,083	68,001
Merchandise and finished goods	30,833	34,716
Raw materials and supplies	7,875	9,569
Other	12,451	12,280
Allowance for doubtful accounts	(69)	(75)
<b>Total current assets</b>	<b>170,838</b>	<b>175,454</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	21,592	22,792
Land	21,745	21,786
Leased assets, net	24,010	22,945
Other, net	17,474	17,342
<b>Total property, plant and equipment</b>	<b>84,822</b>	<b>84,867</b>
<b>Intangible assets</b>		
Goodwill	16,364	16,016
Other	5,224	4,977
<b>Total intangible assets</b>	<b>21,588</b>	<b>20,994</b>
<b>Investments and other assets</b>		
Other	24,197	24,385
Allowance for doubtful accounts	(279)	(275)
<b>Total investments and other assets</b>	<b>23,918</b>	<b>24,110</b>
<b>Total non-current assets</b>	<b>130,329</b>	<b>129,972</b>
<b>Total assets</b>	<b>301,167</b>	<b>305,426</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	29,879	36,368
Short-term loans payable	2,020	2,020
Lease obligations	7,002	6,504
Accrued expenses	25,896	28,416
Income taxes payable	3,948	2,302
Provision for bonuses	3,480	1,888
Other	4,961	5,035
<b>Total current liabilities</b>	<b>77,187</b>	<b>82,536</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	45,922	45,572
Lease obligations	10,282	9,583
Net defined benefit liability	9,922	9,977
Other	4,101	4,107
<b>Total non-current liabilities</b>	<b>80,228</b>	<b>79,241</b>
<b>Total liabilities</b>	<b>157,416</b>	<b>161,777</b>

## Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2018	As of July 31, 2018
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	19,912	19,912
Capital surplus	18,645	18,645
Retained earnings	110,066	110,888
Treasury shares	(2,798)	(4,174)
<b>Total shareholders' equity</b>	<b>145,826</b>	<b>145,271</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,951	3,038
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	337	572
Remeasurements of defined benefit plans	(525)	(492)
<b>Total accumulated other comprehensive income</b>	<b>(3,289)</b>	<b>(2,935)</b>
Share acquisition rights	97	120
Non-controlling interests	1,116	1,192
<b>Total net assets</b>	<b>143,750</b>	<b>143,648</b>
<b>Total liabilities and net assets</b>	<b>301,167</b>	<b>305,426</b>



**(2) Quarterly Consolidated Statement of Income and Comprehensive Income**

From May 1, 2018 to July 31, 2018

**Quarterly Consolidated Statement of Income [First quarter period]**

(Millions of yen)

	Three months ended July 31, 2017	Three months ended July 31, 2018
<b>Net sales</b>	<b>136,451</b>	<b>139,568</b>
Cost of sales	73,218	74,604
<b>Gross profit</b>	<b>63,232</b>	<b>64,963</b>
Selling, general and administrative expenses	56,909	58,895
<b>Operating income</b>	<b>6,323</b>	<b>6,068</b>
<b>Non-operating income</b>		
Interest income	11	17
Dividend income	40	41
Foreign exchange gains	–	239
Share of profit of entities accounted for using equity method	40	60
Other	139	136
<b>Total non-operating income</b>	<b>232</b>	<b>496</b>
<b>Non-operating expenses</b>		
Interest expenses	184	129
Foreign exchange losses	111	–
Other	118	53
<b>Total non-operating expenses</b>	<b>413</b>	<b>183</b>
<b>Ordinary income</b>	<b>6,141</b>	<b>6,381</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	1	2
<b>Total extraordinary income</b>	<b>1</b>	<b>2</b>
<b>Extraordinary losses</b>		
Loss on abandonment of non-current assets	3	125
Impairment loss	13	–
Loss on abandonment of inventories	–	672
Loss on disaster	–	36
<b>Total extraordinary losses</b>	<b>16</b>	<b>834</b>
<b>Income before income taxes</b>	<b>6,125</b>	<b>5,549</b>
<b>Income taxes</b>	<b>2,353</b>	<b>2,027</b>
<b>Net income</b>	<b>3,772</b>	<b>3,521</b>
<b>Profit attributable to non-controlling interests</b>	<b>79</b>	<b>89</b>
<b>Profit attributable to owners of parent</b>	<b>3,692</b>	<b>3,431</b>

**Quarterly Consolidated Statement of Comprehensive Income [First quarter period]**

(Millions of yen)

	Three months ended July 31, 2017	Three months ended July 31, 2018
<b>Net income</b>	<b>3,772</b>	<b>3,521</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	284	(2)
Foreign currency translation adjustment	37	228
Remeasurements of defined benefit plans, net of tax	31	32
Share of other comprehensive income of entities accounted for using equity method	41	83
<b>Total other comprehensive income</b>	<b>393</b>	<b>342</b>
<b>Comprehensive income</b>	<b>4,166</b>	<b>3,863</b>
Comprehensive income attributable to owners of parent	4,079	3,784
Comprehensive income attributable to non-controlling interests	87	78

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

Not applicable

**(Note Regarding Significant Changes in the Amount of Shareholders' Equity)**

Not applicable

**(Application of Special Accounting Methods in Preparation for Quarterly Consolidated Financial Statements)**

(Calculation of income taxes)

The effective tax rate after the application of deferred tax accounting to the income before income taxes for the fiscal year including the First quarter under review is reasonably estimated, and the tax expenses are calculated by multiplying net income before income taxes by this estimated effective tax rate.

**(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 First quarter of the fiscal year ended April 30, 2018 (May 1, 2017 – July 31, 2017)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Other	Total		
Net sales:						
(1) Outside	126,793	7,846	1,811	136,451	–	136,451
(2) Intersegment	79	4	755	840	(840)	–
Total net sales	126,873	7,851	2,567	137,291	(840)	136,451
Segment profits (losses)	5,498	841	302	6,642	(319)	6,323

Notes: i. The segment profits (losses) adjustment includes (374) million yen in amortization of goodwill and 55 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 First quarter of the fiscal year ending April 30, 2019 (May 1, 2018 – July 31, 2018)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Other	Total		
Net sales:						
(1) Outside	129,241	8,542	1,784	139,568	–	139,568
(2) Intersegment	115	4	768	888	(888)	–
Total net sales	129,356	8,546	2,553	140,456	(888)	139,568
Segment profits (losses)	5,124	1,013	246	6,383	(315)	6,068

Notes: i. The segment profits (losses) adjustment includes (373) million yen in amortization of goodwill and 57 million yen in intersegment transactions.

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