

Consolidated Financial Results

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

Scheduled filing date of quarterly securities report: December 13, 2018

Scheduled date of commencement of dividend payment: January 15, 2019

Supplementary documents for quarterly results prepared: Yes

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

(Figures are rounded down to million yen.)

1. Consolidated Performance for the Second Quarter of the Fiscal Year Ending April 30, 2019 (May 1, 2018 - October 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	
10/31/2018	275,468	3.6%	13,212	-8.9%	13,819	-5.4%	8,698	-5.9%
10/31/2017	265,883	3.0%	14,496	1.2%	14,603	7.9%	9,246	3.6%

Note: Comprehensive income 10/31/2018: 9,215 million yen (-11.4%) 10/31/2017: 10,398 million yen (52.0%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
10/31/2018	70.00		69.83	
10/31/2017	74.11		73.92	

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	
10/31/2018	306,172	149,008	48.2%
4/30/2018	301,167	143,750	47.3%

Reference: Shareholders' equity 10/31/2018: 147,621 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 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)	10/31/2018	89,212,380 shares	4/30/2018	89,212,380 shares
--	------------	-------------------	-----------	-------------------

ii. Number of treasury stock	10/31/2018	660,832 shares	4/30/2018	499,602 shares
------------------------------	------------	----------------	-----------	----------------

iii. Average number of shares during the period	10/31/2018	88,582,223 shares	10/31/2017	88,699,004 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.

* 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 – October 31, 2018)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
10/31/2018	75.00	74.82
10/31/2017	79.11	78.92

(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)	10/31/2018	34,246,962 shares	4/30/2018	34,246,962 shares
ii. Number of treasury stock	10/31/2018	984,812 shares	4/30/2018	837,653 shares
iii. Average number of shares during the period	10/31/2018	33,303,033 shares	10/31/2017	33,784,288 shares

Contents of Attachments

1. Qualitative Information Regarding Consolidated Financial Results for This Quarter	2
(1) Explanations Regarding Consolidated Results of Operations	2
(2) Explanations Regarding Consolidated Financial Position	3
(3) Explanations Regarding Forecasts for Consolidated Results and Future Outlook	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income.....	6
Quarterly Consolidated Statement of Income [Second quarter period].....	6
Quarterly Consolidated Statement of Comprehensive Income [Second quarter period].....	7
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements.....	9
(Note Regarding the Company’s Position as a Going Concern).....	9
(Note Regarding Significant Changes in the Amount of Shareholders’ Equity).....	9
(Application of Special Accounting Methods in Preparation for Quarterly Consolidated Financial Statements)	9
(Additional information)	9
(Segment Information, etc.)	10

1. Qualitative Information Regarding Consolidated Financial Results for This Quarter

(1) Explanations Regarding Consolidated Results of Operations

During the Second quarter of the fiscal year ending April 30, 2019 (May 1, 2018 – October 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 Second 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 81 million yen in cost related to disaster due to the Heavy Rain Event of July 2018, etc.

Net sales	275,468 million yen, up 3.6%
Operating income	13,212 million yen, down 8.9%
Ordinary income	13,819 million yen, down 5.4%
Profit attributable to owners of parent	8,698 million yen, down 5.9%

Performance by each of the business segments were as follows.

<Tea Leaves and Beverages Business>

[Domestic tea leaf products]

As in last year, on October 1, the day established by the Company as “*Japanese Tea Day*,”* ITO EN’s employees (including ITO EN qualified tea tasters) held “*Ochawo Tanoshimu Wakuwaku Dai-Cha-Kai*,” tea tasting events to spread the charm of green tea, in mass retailer stores nationwide. They served leaf teas, such as “*Oi Ocha 1000*,” which is brewed in the traditional Japanese teapot *Kyusu*, and instant products like “*Oi Ocha Sarasara Matchairi Ryokucha*.” Depending on venues, there were events like “Seminar on how to brew delicious tea” and “*Matcha Art*.” Through these activities, the Company conveyed the appeal of green tea and enlivened the leaf tea market.

(*) “*Japanese Tea Day*”:

On October 1, 1587, *Toyotomi Hideyoshi* held “*Dai-Cha-Kai*” in the *Kitano Tenmangu Shrine* in Kyoto, spreading the tea culture to many people, irrespective of their social positions. Accordingly, the Company established October 1 as “*Japanese Tea Day*.” (Established 2002 by the Japan Anniversary Association)

[Domestic beverage products]

Our products gained a good reputation from more customers. For example, sales of “*Oi Ocha Shinryoku*” (fresh green), a new green tea product with fresh and soft flavors launched in May, exceeded one million cases in about three months. In September, we launched “*Oi Ocha*” products contained in special PET bottles that can be rewarmed in microwave ovens. In the coming fall and winter seasons, even if you drink the products slowly over time, you will be able to taste them deliciously to the end in warm condition.

“*Kenko Mineral Mugicha*” (healthy mineral barley tea), the best-selling non-caffeinated tea product, has continued to sell well, as a sugar-free, caffeine-free and calorie-free beverage that supplements water and minerals year-round, not only as a beverage for the prevention of heat stroke but also for sports.

“*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. Providing coffee products meeting customers’ diverse tastes, we try to enhance sales of the “*TULLY’S COFFEE*” brand further.

[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 255,050 million yen, up 3.4% year on year, and operating income of 11,481 million yen, down 11.3%.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. released a seasonal limited beverage, "Caramel Pumpkin Latte," with a Bearful® sleeve. Following the well-performing tea category, it launched new products like "Hojicha Chocolat Cream Latte," which have gained popularity. In food items, in addition to the popular "Classic Pancake," it launched "Brussels Waffle" in September 2018. These sweets also remained faring well. New coffee shop openings have been smooth with the total number of coffee shops at present being 720.

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 16,974 million yen, up 6.6% year on year, and operating income of 1,875 million yen, up 13.3%.

<Others>

The Others recorded net sales of 3,443 million yen, up 1.3% year on year, and operating income of 483 million yen, down 7.2%.

(2) Explanations Regarding Consolidated Financial Position

(i) Assets, liabilities and net assets

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

Total assets as of October 31, 2018 stood at 306,172 million yen, increased by 5,004 million yen from the end of the previous fiscal year. This mainly reflected increases of 1,346 million yen in "Notes and accounts receivable - trade," 2,193 million yen in "Merchandise and finished goods" and 1,587 million yen in "Raw materials and supplies."

Liabilities as of October 31, 2018 stood at 157,163 million yen, decreased by 252 million yen from the end of the previous fiscal year. This mainly reflected increases of 1,567 million yen in "Notes and accounts payable - trade" and 1,158 million yen in "Accrued expenses," and a decrease of 2,677 million yen in "Lease obligations."

Net assets as of October 31, 2018 stood at 149,008 million yen, increased by 5,257 million yen from the end of the previous fiscal year. This mainly reflected an increase of 8,698 million yen in "Retained earnings" due to "Profit attributable to owners of parent," a decrease of 2,609 million yen in "Retained earnings" due to "Dividends of surplus," and a decrease of 1,378 million yen in "Treasury shares" due to purchase of treasury shares.

(ii) Cash flows

Net cash inflows from operating activities totaled 12,138 million yen (compared with 11,246 million yen inflow in the same period of the previous fiscal year). The major factors affecting this were increases due to income before income taxes of 13,316 million yen and depreciation of 6,646 million yen, and decreases due to decrease (increase) in inventories of 3,517 million yen and income taxes paid of 3,613 million yen.

Net cash outflows from investing activities were 5,049 million yen (compared with 5,774 million yen outflow in the same period of the previous fiscal year). The major factor of cash outflows was 5,420 million yen for capital investment.

Net cash outflows from financing activities were 8,209 million yen (compared with 8,107 million yen outflow in the same period of the previous fiscal year). The major factors of cash outflows were purchase of treasury shares of 1,378 million yen, repayments of finance lease obligations of 3,521 million yen and cash dividends paid of 2,606 million yen.

As a result, cash and cash equivalents at the end of the Second quarter of the fiscal year ending April 30, 2019 amounted to 60,435 million yen, decreased by 941 million yen from the end of previous fiscal year.

(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 October 31, 2018

(Millions of yen)

	As of April 30, 2018	As of October 31, 2018
Assets		
Current assets		
Cash and deposits	61,664	61,376
Notes and accounts receivable - trade	58,083	59,429
Merchandise and finished goods	30,833	33,026
Raw materials and supplies	7,875	9,462
Other	12,451	14,132
Allowance for doubtful accounts	(69)	(81)
Total current assets	170,838	177,345
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,592	22,692
Land	21,745	21,839
Leased assets, net	24,010	21,577
Other, net	17,474	18,671
Total property, plant and equipment	84,822	84,780
Intangible assets		
Goodwill	16,364	15,697
Other	5,224	4,728
Total intangible assets	21,588	20,426
Investments and other assets		
Other	24,197	23,884
Allowance for doubtful accounts	(279)	(265)
Total investments and other assets	23,918	23,619
Total non-current assets	130,329	128,826
Total assets	301,167	306,172
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,879	31,446
Short-term loans payable	2,020	2,030
Lease obligations	7,002	5,946
Accrued expenses	25,896	27,054
Income taxes payable	3,948	4,834
Provision for bonuses	3,480	3,580
Other	4,961	4,167
Total current liabilities	77,187	79,060
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	45,922	45,222
Lease obligations	10,282	8,661
Net defined benefit liability	9,922	10,053
Other	4,101	4,166
Total non-current liabilities	80,228	78,103
Total liabilities	157,416	157,163

Quarterly Consolidated Balance Sheets – Continued

(Millions of yen)

	As of April 30, 2018	As of October 31, 2018
Net assets		
Shareholders' equity		
Capital stock	19,912	19,912
Capital surplus	18,645	18,640
Retained earnings	110,066	116,080
Treasury shares	(2,798)	(4,069)
Total shareholders' equity	145,826	150,563
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,951	2,623
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	337	946
Remeasurements of defined benefit plans	(525)	(459)
Total accumulated other comprehensive income	(3,289)	(2,942)
Share acquisition rights	97	101
Non-controlling interests	1,116	1,285
Total net assets	143,750	149,008
Total liabilities and net assets	301,167	306,172

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1, 2018 to October 31, 2018

Quarterly Consolidated Statement of Income [Second quarter period]

(Millions of yen)

	Six months ended October 31, 2017	Six months ended October 31, 2018
Net sales	265,883	275,468
Cost of sales	139,644	145,957
Gross profit	126,238	129,511
Selling, general and administrative expenses	111,742	116,299
Operating income	14,496	13,212
Non-operating income		
Interest income	25	39
Dividend income	42	44
Foreign exchange gains	217	485
Share of profit of entities accounted for using equity method	81	152
Other	287	257
Total non-operating income	654	979
Non-operating expenses		
Interest expenses	355	249
Other	191	122
Total non-operating expenses	547	372
Ordinary income	14,603	13,819
Extraordinary income		
Gain on sales of non-current assets	8	3
Gain on donation of non-current assets	23	2
Gain on sales of investment securities	0	515
Other	0	15
Total extraordinary income	33	536
Extraordinary losses		
Loss on sales of non-current assets	–	0
Loss on abandonment of non-current assets	22	135
Loss on valuation of investment securities	–	8
Impairment loss	237	140
Loss on abandonment of inventories	–	673
Loss on disaster	–	81
Total extraordinary losses	260	1,039
Income before income taxes	14,376	13,316
Income taxes	5,026	4,429
Net income	9,349	8,886
Profit attributable to non-controlling interests	103	188
Profit attributable to owners of parent	9,246	8,698

Quarterly Consolidated Statement of Comprehensive Income [Second quarter period]

(Millions of yen)

	Six months ended October 31, 2017	Six months ended October 31, 2018
Net income	9,349	8,886
Other comprehensive income		
Valuation difference on available-for-sale securities	694	(417)
Deferred gains or losses on hedges	0	–
Foreign currency translation adjustment	230	599
Remeasurements of defined benefit plans, net of tax	58	66
Share of other comprehensive income of entities accounted for using equity method	64	80
Total other comprehensive income	1,049	328
Comprehensive income	10,398	9,215
Comprehensive income attributable to owners of parent	10,271	9,045
Comprehensive income attributable to non-controlling interests	127	170

(3) Quarterly Consolidated Statement of Cash Flows

For the six months ended October 31, 2017 and 2018 (May 1, 2017 - October 31, 2017 and May 1, 2018 - October 31, 2018)

(Millions of yen)

	Six months ended October 31, 2017	Six months ended October 31, 2018
Cash flows from operating activities		
Income before income taxes	14,376	13,316
Depreciation	6,523	6,646
Impairment loss	237	140
Amortization of goodwill	889	888
Increase (decrease) in provision for bonuses	(87)	100
Increase (decrease) in net defined benefit liability	322	226
Loss on abandonment of inventories	-	673
Loss on disaster	-	81
Interest and dividend income	(68)	(83)
Interest expenses	355	249
Foreign exchange losses (gains)	(230)	(455)
Loss on abandonment of non-current assets	22	135
Loss (gain) on sales of investment securities	(0)	(515)
Decrease (increase) in notes and accounts receivable - trade	(880)	(1,204)
Decrease (increase) in inventories	(1,190)	(3,517)
Decrease (increase) in other current assets	(44)	(2,031)
Increase (decrease) in notes and accounts payable - trade	(5,328)	1,496
Increase (decrease) in accrued consumption taxes	323	(426)
Increase (decrease) in other current liabilities	651	1,005
Other, net	(211)	(816)
Subtotal	15,660	15,909
Interest and dividend income received	71	87
Interest expenses paid	(357)	(246)
Income taxes paid	(4,128)	(3,613)
Net cash provided by (used in) operating activities	11,246	12,138
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(5,109)	(5,420)
Proceeds from sales of investment securities	0	730
Decrease (increase) in other investments	(664)	(359)
Net cash provided by (used in) investing activities	(5,774)	(5,049)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	117	10
Repayments of long-term loans payable	(766)	(700)
Purchase of treasury shares	(10)	(1,378)
Proceeds from disposal of treasury shares	0	0
Repayments of finance lease obligations	(4,625)	(3,521)
Cash dividends paid	(2,617)	(2,606)
Dividends paid to non-controlling interests	(195)	(4)
Other payments	(9)	(8)
Net cash provided by (used in) financing activities	(8,107)	(8,209)
Effect of exchange rate change on cash and cash equivalents	203	179
Net increase (decrease) in cash and cash equivalents	(2,430)	(941)
Cash and cash equivalents at beginning of period	64,202	61,376
Cash and cash equivalents at end of period	61,771	60,435

(4) 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 Second 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 Second quarter of the fiscal year ended April 30, 2018 (May 1, 2017 – October 31, 2017)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Other	Total		
Net sales:						
(1) Outside	246,564	15,918	3,399	265,883	–	265,883
(2) Intersegment	193	9	1,536	1,740	(1,740)	–
Total net sales	246,758	15,928	4,936	267,624	(1,740)	265,883
Segment profits (losses)	12,948	1,655	520	15,124	(628)	14,496

Notes: i. The segment profits (losses) adjustment includes (748) million yen in amortization of goodwill and 119 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 Second quarter of the fiscal year ending April 30, 2019 (May 1, 2018 – October 31, 2018)

(Millions of yen)

	Reporting Segment				Adjustment	Total
	Tea leaves /Beverages Business	Restaurant Business	Other	Total		
Net sales:						
(1) Outside	255,050	16,974	3,443	275,468	–	275,468
(2) Intersegment	215	6	1,516	1,738	(1,738)	–
Total net sales	255,266	16,981	4,960	277,207	(1,738)	275,468
Segment profits (losses)	11,481	1,875	483	13,840	(628)	13,212

Notes: i. The segment profits (losses) adjustment includes (748) million yen in amortization of goodwill and 119 million yen in intersegment transactions.

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