

Consolidated Financial Results

under Japanese Standards for the Third quarter of the fiscal year ending April 30, 2016 (Unaudited)

Scheduled filing date of quarterly report: March 11, 2016

Scheduled date of commencement of dividend payment: —

Supplementary documents for quarterly results: Yes

Quarterly results presentation (for institutional investors and analysts): None

(Figures are rounded down to million yen.)

1. Consolidated Performance Third Quarter of the Fiscal Year Ending April 30, 2016(May 1, 2015 - January 31, 2016)

(1) Consolidated Results of Operations – cumulative (% 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	
1/31/2016	355,840	8.4%	11,898	54.8%	11,610	50.6%	6,866	72.5%
1/31/2015	328,296	-1.7%	7,685	-49.9%	7,711	-48.4%	3,980	-54.3%

Note: Comprehensive income 1/31/2016: 7,017 million yen (10.0%) 1/31/2015: 6,380 million yen (-32.8%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
1/31/2016	54.51	54.39
1/31/2015	31.03	30.94

Note: The above “Net income per share” pertains to common stock. For “Net income per share” for Class-A Preferred Stock, refer to “Reference” below.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	
1/31/2016	274,233	128,603	46.5%
4/30/2015	285,947	127,761	44.4%

Reference: Equity 1/31/2016: 127,568 million yen 4/30/2015: 126,822 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
4/30/2015	—	20.00	—	20.00	40.00
4/30/2016	—	20.00	—		
4/30/2016 (Forecast)				20.00	40.00

Note: Revision of dividends forecast during the current quarterly period: 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, 2016 (May 1, 2015 - April 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen		Million yen		Million yen		Million yen		Yen
4/30/2016	465,000	8.0%	15,100	32.5%	14,100	25.6%	8,770	20.3%	68.64

Note: Revision of operation results forecast during the current quarterly period: None

Note: The above “Net income per share” pertains to common stock. For “Net income 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: Yes

ii . Changes in accounting policies other than i. above: None

iii. Changes in accounting estimates: None

iv. Restatements: None

Note: For further information, please refer to “2. Information Regarding “Notes” in Consolidated Summary Report, (3) Changes in Accounting Policies, Changes Accounting Estimate, and Restatements” on page 4 in the Attachments.

(4) Numbers of shares outstanding (common stock)

i . Numbers of shares outstanding (including treasury stock) 1/31/2016 89,212,380 shares 4/30/2015 89,212,380 shares

ii . Numbers of treasury stock 1/31/2016 535,579 shares 4/30/2015 535,579 shares

iii. Average number of shares during the period 1/31/2016 88,676,801 shares 1/31/2015 88,638,183 shares

Note: The above “Numbers of shares outstanding” pertains to common stock. For “Numbers of shares outstanding” for Class-A Preferred Stock, refer to “Reference” below.

* Indication of quarterly review procedure implementation status

- This quarterly consolidated financial report is not subject to audit procedure based on Financial Instruments and Exchange Act and the audit procedures for the quarterly consolidated financial statements were not being conducted when this report was disclosed.

*Note: Request for appropriate use of the business outlook and other special remarks

- The forecasts are based on information available to the management at the time of an announcement. Due to variable factors, actual results may be different from the forecast figures. For the basis of presumption of the forecasted operation results and the notes on its use, refer to “(3) Explanations Regarding Forecasts for Consolidated Results and Future Outlook” on page 3.

Reference

(1) Net Income per Share – Class-A Preferred Stock (May 1, 2015 – January 31, 2016)

	Net income per share	Net income per share (diluted)
	Yen	Yen
1/31/2016	59.51	59.39
1/31/2015	36.03	35.94

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

(Record date)	Dividend per share				
	First quarter end	Second quarter end	Third quarter end	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
4/30/2015	—	25.00	—	25.00	50.00
4/30/2016	—	25.00	—		
4/30/2016 (Forecast)				25.00	50.00

Note: Revision of dividends forecast during the current quarterly period: None

(3) Net Income per Share – Class-A Preferred Stock in Forecasted Consolidated Operation Results

	Net income per share (Consolidated)
	Yen
4/30/2016	78.64

Note: Revision of operation results forecast during the current quarterly period: None

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

i . Numbers of shares outstanding (including treasury stock)	1/31/2016	34,246,962 shares	4/30/2015	34,246,962 shares
ii . Numbers of treasury stock	1/31/2016	108,288 shares	4/30/2015	102,678 shares
iii . Average number of shares during the period	1/31/2016	34,141,332 shares	1/31/2015	34,150,251 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, 2016 (May 1, 2015 - January 31, 2016), the Japanese economy is continuing its moderate recovery with strong personal consumption on the back of improved export earnings and employment conditions as well as an increase in the number of foreign tourists, among other factors, fueled by the impact of the government's economic and monetary policies.

In the beverage industry, the adverse business environment is intensifying, price declines driven by increased competition, and stemming from lingering concerns over rising raw material cost, in addition to impact of unseasonable weather in summer.

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, ITO EN recorded consolidated net sales of 355,840 million yen, up 8.4% from the previous fiscal year. On the earnings front, resulted in operating income of 11,898 million yen, up 54.8% year on year, ordinary income of 11,610 million yen, up 50.6%, and profit attributable to owners of parent of 6,866 million yen, up 72.5%. An analysis of sales by business segment follows.

<Tea Leaves and Beverages Business>

Domestic business, in the tea leaf product category, sales of comparatively highly priced packaged teas are being reinforced through activities that include sales demonstrations and taste testing events by employees who hold "Tea Taster" certification based on the internal certification system. Also, convenient tea leaf products that can be made with ease, such as "Premium Tea Bag Series" and instant powder-type green teas, are being well received by domestic customers as well as tourists from overseas.

In the beverage products category, ITO EN renewed the mainstay product "Oi Ocha Ryokucha" (green tea) and rolled out the "Momiji (autumn color of maple leaves) packaging" in the lead-up to autumn. Continuing on from last year, from late January 2016 we sequentially roll out the "Sakura (cherry blossom) packaging" together with the "cherry blossom" design that symbolizes Japan. Mainly in Kyusyu area, we are working to realize a stable and high-quality procurement by aggressively utilizing idle agricultural land under management of the large-scaled tea plantation with productivity and environmental preservation. ITO EN has increased the prescribed amount for preparing "Oi Ocha Senyo Chayou" – which cultivated by paying special attention to aroma through the Tea-producing region development project – in order to pursue the original fragrance and flavors in teas served from a tea pot, along with continuing to further enhance the value of the "Oi Ocha" brand.

In the Japanese Tea /Healthy Tea category, "Kenko Mineral Mugicha" (healthy mineral barley tea), "Oi Ocha Zeppin Hojicha" (premium roasted green tea) and whilst in the Chinese tea category, "Relax Jasmine Tea" continued to perform well. In addition, Food for Specified Health Uses, as represented by "Double Health Function Catechin Green Tea" (certified as a food for specified health uses), which helps to reduce fat and bad cholesterol, "Ohgon Oolong Cha" and other products, continue to be popular.

In the coffee beverages category, the "TULLY'S COFFEE" brand series continues to enjoy popularity, achieving higher sales volumes.

We will continue to work on improving its profitability by injecting advertising, sales and marketing expenses while being mindful of their cost benefits, along with implementing further cost cuts and reviewing all expenses, amid such conditions that are characterized by increasingly fierce competition surrounding sales activities, sluggish consumption, among other factors.

Chichiyasu Company was engaged in aggressive sales of milk and yogurt, mainly in Hiroshima Prefecture, and is expanding its brand synergies through joint development with ITO EN. In addition, with robust sales channels in western Japan, NEOS Corporation is adding further strength to the Group's vending machine business.

With regard to our overseas markets, sales of sugar-free beverages including "Oi Ocha" achieved by ITO EN (North America) INC. grew steadily. This is because WASHOKU; Traditional Dietary Cultures of the Japanese was recognized by UNESCO as an intangible cultural heritage in December 2013, as well as the fact that more people have become health conscious in the U.S. In addition, regarding tea leaf products, ITO EN has proactively grown its business overseas to secure a foundation for businesses in China and Southeast Asia and has strengthened the sale of tea bag products that incorporate *matcha* by leveraging the tailwind from the global *matcha* boom.

In addition, Distant Lands Trading Company, Inc. which operates from cultivation to sales of coffee beans mainly in the U.S. joined ITO EN Group at February 3, 2015. ITO EN pursues the synergy effect under business in U.S. through our group products sales in the future.

As a result, sales in the Tea Leaves and Beverages Business up 8.3%, to 330,679 million yen, and operating income of 10,153 million yen, up 112.5% from the previous fiscal year.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. is contributing to earnings growth, with solid sales of drinks led by seasonal products. Also, pasta and other delicatessen items, and danish pastries, including donuts, as well as honey that is being sold at stores are also popular.

In addition, new coffee shop openings have been smooth, and expansion continues, with the total number of coffee shops at 619. Further brand enhancement as a specialty coffee shop will be achieved through revitalization, including the renovation of existing stores and the strengthening of store competitiveness.

As a result, net sales in the Restaurant Business rose 9.3% year on year, to 20,616 million yen, and operating income declined 14.6% year on year, to 2,362 million yen from the previous fiscal year.

<Others>

Net sales rose 12.8% year on year, to 4,543 million yen, and operating income declined 19.7%, to 721 million yen from the previous fiscal year.

(2) Explanations Regarding Consolidated Financial Position

The following is as consolidated financial position for the Third quarter of the fiscal year ending April 30, 2016.

<Assets>

Assets at the end of January 31, 2016 stood at 274,233 million yen, decreased by 11,713 million yen from the previous fiscal year. These changes in assets mainly reflected an increase of 2,718 million yen in "Cash and deposits," and decreases of 8,209 million yen in "Notes and accounts receivable-trade," 6,387 million yen in "Other Current Assets."

<Liabilities>

Liabilities at the end of January 31, 2016 stood at 145,629 million yen, decreased by 12,556 million yen from the previous fiscal year. These changes in liabilities mainly reflected decreases of 8,016 million yen in "Notes and accounts payable-trade," 1,262 million yen in "Accrued expenses," and 2,554 million yen in "Lease obligations, non-current."

<Net assets>

Net assets at the end of January 31, 2016 stood at 128,603 million yen, increased by 842 million yen from the previous fiscal year. The major changes of the net assets were an increase of 6,866 million yen in "Retained earnings" due to "Profit attributable to owners of parent," and decreases of 5,254 million yen due to "Dividends from surplus," and 905million yen in "Capital surplus" due to "Changes in the parent company's holdings related to transactions involving shareholders with non-controlling interest."

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

As for the consolidated business outlook for full fiscal year, considering the financial results of the third quarter of the current fiscal year and the managerial environment, no change has been made without reviewing.

2. Information Regarding “Notes” in Consolidated Summary Report

(1) Changes in Important Subsidiaries during this Quarter

Not applicable.

(2) 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 net income before income taxes for the consolidated 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.

(3) Changes in Accounting Policies, Changes Accounting Estimate, and Restatements

(Changes in Accounting Policies)

ITO EN began applying “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan Statement No.21, September 13, 2013; hereinafter referred to as the “business combination accounting standards”); “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013; hereinafter referred to as the “consolidated financial statements accounting standards”); and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as “business divestitures accounting standards”) starting from the first quarter under review. To this end, ITO EN posted, as capital surplus, the difference that materialized from the change in its holdings for subsidiaries that ITO EN continues to have controlling interest, and also changed the method to posting acquisition-related costs as expenses of the consolidated fiscal year in which the costs were incurred.

As for the merger that is to take place after the beginning of the first quarter under review, ITO EN has changed to adopting a method of reflecting the revised distribution of the acquisition cost – arrived at by finalizing provisional accounting processing – in quarterly consolidated financial statements associated with the quarterly consolidated period during which the date of the corporate merger is to occur. In addition, ITO EN has changed the method of presenting net income and other earnings metrics as well as a change in presentation from minority interest to non-controlling interest. In order to reflect the change in presenting the relevant information, ITO EN has reclassified the quarterly consolidated financial statements and consolidated financial statements.

As for the application of business combination accounting standards, ITO EN is in compliance with transitional provisions as established in the business combination accounting standards No. 58-2 (4), the consolidated financial statements accounting standards 44-5(4) and the business divestitures accounting standards 57-4 (4), and they have been applied from the beginning of the first quarter under review into the future.

As a result, “Capital surplus” has declined by 905 million as of the end of the third quarter under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

as of January 31, 2016 and April 30, 2015

	Million yen	
	4/30/2015	1/31/2016
Assets		
Current assets:		
Cash and deposits	48,922	51,640
Notes and accounts receivable - trade	51,512	43,302
Merchandise and finished goods	26,481	26,748
Raw materials and supplies	8,188	8,878
Other	18,640	12,252
Allowance for doubtful accounts	(148)	(124)
Total current assets	153,597	142,698
Fixed assets:		
Property, plant and equipment;		
Buildings and structures, net	18,580	19,189
Land	19,413	20,038
Lease assets, net	33,190	30,294
Other, net	8,930	11,101
Subtotal	80,115	80,624
Intangible assets:		
Goodwill	27,791	26,204
Other	6,250	5,634
Subtotal	34,042	31,839
Investments and other assets;		
Total Investments and other assets	18,192	19,071
Total fixed assets	132,350	131,535
Total assets:	285,947	274,233
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	33,304	25,288
Short-term loans payable	803	1,077
Lease obligations	11,255	10,675
Accrued expenses	21,325	20,062
Income taxes payable	1,251	2,411
Provision for bonuses	2,791	1,590
Other	5,306	4,172
Total current liabilities	76,038	65,279
Non-current liabilities:		
Bonds payable	20,000	20,000
Long-term loans payable	30,551	30,781
Lease obligations	19,998	17,443
Net defined benefit liability	8,092	8,433
Other	3,504	3,691
Total non-current liabilities	82,146	80,350
Total liabilities	158,185	145,629

Quarterly Consolidated Balance Sheets - Continued

	Million yen	
	4/30/2015	1/31/2016
Net assets		
Shareholders' equity:		
Capital stock	19,912	19,912
Capital surplus	20,259	19,353
Retained earnings	90,949	92,561
Treasury stock	(1,287)	(1,298)
Total shareholders' equity	129,833	130,528
Valuation, translation adjustments and others:		
Valuation difference on available-for-sale securities	2,029	2,047
Deferred gains or losses on hedges	29	8
Revaluation reserve for land	(6,092)	(6,092)
Foreign currency translation adjustment	1,503	1,498
Remeasurements of defined benefit plans	(480)	(422)
Total accumulated other comprehensive income	(3,010)	(2,960)
Subscription rights to shares	10	25
Non-controlling interests	928	1,010
Total net assets	127,761	128,603
Total liabilities and net assets	285,947	274,233

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

from May 1, 2015 to January 31, 2016

Quarterly Consolidated Statement of Income [Third quarter period]

	Million yen	
	1/31/2015	1/31/2016
Net sales	328,296	355,840
Cost of sales	171,814	191,555
Gross profit	156,481	164,285
Selling, general and administrative expenses	148,796	152,387
Operating income	7,685	11,898
Non-operating income:		
Interest income	29	55
Dividend income from securities	54	63
Foreign exchange gains	476	219
Equity income from an unconsolidated subsidiary and affiliates	37	44
Other	507	406
Total non-operating income	1,104	788
Non-operating expenses:		
Interest expense	870	838
Other	208	238
Total non-operating expense	1,078	1,076
Ordinary income	7,711	11,610
Extraordinary gains:		
Gain on sales of fixed assets	0	144
Gain on donation of fixed assets	26	5
Gain on sales of investment securities	0	0
Eviction income	11	14
Other	2	—
Total extraordinary gains	40	164
Extraordinary losses:		
Loss on sales of fixed assets	17	—
Loss on abandonment of fixed assets	12	17
Loss on valuation of investment securities	—	3
Impairment loss	71	54
Other	18	1
Total extraordinary losses	120	76
Income before income taxes	7,631	11,697
Total income taxes	3,528	4,695
Net income	4,103	7,002
Profit attributable to non-controlling interests	123	136
Profit attributable to owners of parent	3,980	6,866

Quarterly Consolidated Statement of Comprehensive Income [Third quarter period]

	Million yen	
	1/31/2015	1/31/2016
Net income	4,103	7,002
Other comprehensive income:		
Valuation difference on available-for-sale securities	524	14
Deferred gains or losses on hedges	21	(21)
Foreign currency translation adjustment	1,641	(30)
Remeasurements of defined benefit plans, net of tax	91	55
Share of other comprehensive income of entities accounted for using equity method	(2)	(2)
Other comprehensive income	2,277	15
Comprehensive income	6,380	7,017
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,179	6,916
Comprehensive income attributable to non-controlling interests	200	101

(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.

(Segment Information, etc.)

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

i . For the Third quarter of the previous fiscal year ended April 30, 2015 (May 1, 2014 – January 31, 2015)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	305,401	18,866	4,027	328,296	—	328,296
(2) Intersegment	241	609	1,926	2,777	(2,777)	—
Total net sales	305,643	19,475	5,954	331,073	(2,777)	328,296
Segment profits (losses)	4,777	2,767	899	8,444	(759)	7,685

Notes: i .The segment profits (losses) adjustment includes (¥793) million in amortization of goodwill and ¥33 million in intersegment transactions.

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

ii . For the Third quarter of the fiscal year ending April 30, 2016 (May 1, 2015 – January 31, 2016)

(Figures are rounded down to million yen.)

	Reporting Segment				Adjustment	Amount on Consolidated Statements of Operations
	Tea leaves /Beverages Business	Restaurant Business	Others	Total		
Net sales:						
(1) Outside	330,679	20,616	4,543	355,840	—	355,840
(2) Intersegment	271	208	1,934	2,414	(2,414)	—
Total net sales	330,951	20,825	6,477	358,254	(2,414)	355,840
Segment profits (losses)	10,153	2,362	721	13,237	(1,339)	11,898

Notes: i .The segment profits (losses) adjustment includes (¥1,455) million in amortization of goodwill and ¥116 million in intersegment transactions.

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