

Consolidated Financial Results

under Japanese Standards for the fiscal year ending April 30, 2017 (Unaudited)

Scheduled filing date of quarterly report: September 9, 2016

Scheduled date of commencement of dividend payment: —

Supplementary documents for quarterly results: Yes

Quarterly results presentation: None

(Figures are rounded down to million yen.)

1. Consolidated Performance for the Fiscal Year Ending April 30, 2017 (May 1, 2016 - July 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	
7/31/2016	129,043	0.7%	6,524	52.1%	5,722	19.2%	3,578	49.6%
7/31/2015	128,182	8.0%	4,289	95.4%	4,798	130.4%	2,391	155.0%

Note: Comprehensive income 7/31/2016: 1,688 million yen (-51.7%) 7/31/2015: 3,494 million yen (201.4%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2016	29.14	29.06
7/31/2015	19.47	19.43

Note: The above “Earnings per share” pertains to common stock. For “Earnings 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	
7/31/2016	290,050	126,205	43.2%
4/30/2016	287,702	127,215	43.9%

Reference: Shareholders' equity 7/31/2016: 125,251 million yen 4/30/2016: 126,209 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
4/30/2016	—	20.00	—	20.00	40.00
4/30/2017	—	—	—	—	—
4/30/2017 (Forecast)	—	20.00	—	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, 2017 (May 1, 2016 - April 30, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen		Million yen		Million yen		Million yen		Yen
10/31/2016	255,400	1.0%	12,100	20.8%	11,000	11.7%	6,700	17.4%	53.16
4/30/2017	471,500	1.3%	20,000	16.0%	19,400	28.7%	11,800	37.0%	93.30

Note: Revision of operation results forecast during the current quarterly period: 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 this quarter

(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: Yes

iv. Restatements: None

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

(4) Number of outstanding shares (common stock)

i . Number of outstanding shares (including treasury shares) 7/31/2016 89,212,380 shares 4/30/2016 89,212,380 shares

ii . Number of treasury shares 7/31/2016 535,579 shares 4/30/2016 535,579 shares

iii. Average number of shares during the period 7/31/2016 88,676,801 shares 7/31/2015 88,676,801 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.

*Note: Implementation status of audit procedures

This consolidated financial report is not subject to audit procedures based on Financial Instruments and Exchange Act and the audit procedures for the 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) Earnings per share – Class-A Preferred Stock (May 1, 2016 – July 31, 2016)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2016	29.14	29.06
7/31/2015	19.47	19.43

(2) Dividend per Share – 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
4/30/2016	—	25.00	—	25.00	50.00
4/30/2017	—				
4/30/2017 (Forecast)		25.00	—	25.00	50.00

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

(3) Earnings per share – Class-A Preferred Stock in Forecasted Consolidated Operation Results

	Earnings per share (Consolidated)
	Yen
10/31/2016	58.16
4/30/2017	103.30

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

(4) Number of outstanding shares – Class-A Preferred Stock

i . Number of outstanding shares (including treasury shares)	7/31/2016	34,246,962 shares	4/30/2016	34,246,962 shares
ii . Number of treasury shares	7/31/2016	112,158 shares	4/30/2016	110,038 shares
iii . Average number of shares during the period	7/31/2016	34,136,165 shares	7/31/2015	34,143,100 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, 2017 (May 1, 2016 - July 31, 2016), the Japanese economy has been on a moderate recovery track, helped by improved employment and income conditions combined with the effects of government policies. Nevertheless, uncertainty over the future is growing worldwide. This uncertainty is being driven by the slowing economies of China and other emerging countries in Asia, downturns in resource-rich countries, and the impact of Britain's withdrawal from the EU.

While sales competition among companies continues in the beverage industry, consumer sentiment has been weak, notwithstanding splendid weather in some regions. The business climate has become increasingly severe.

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 129,043 million yen, up 0.7% from the previous fiscal year. On the earnings front, resulted in operating income of 6,524 million yen, up 52.1% year on year, ordinary income of 5,722 million yen, up 19.2%, and profit attributable to owners of parent of 3,578 million yen, up 49.6%.

Net sales	129,043 million yen, up 0.7%
Operating income	6,524 million yen, up 52.1%
Ordinary income	5,722 million yen, up 19.2%
Profit attributable to owners of parent	3,578 million yen, up 49.6%

Performance by each of the business segments were as 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 demonstration sales of tea made with the traditional Japanese teapot "Kyusu" and taste testing events by employees who hold "Tea Taster" certification based on the internal certification system. By actively promoting "Mizudashi Ryokucha" (Cold-brewed green tea), which features less bitterness and astringency and offers an enjoyably sweet taste, we have expanded the leaf products market in summer. 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, in relation to the mainstay product "Oi Ocha Ryokucha" (green tea), "Oi Ocha Ryokucha with 2016 Shun Shincha" (green tea with the first harvest picked tea from the best season in spring 2016) was rolled out from May 2016, emphasizing freshness with heightened aroma, better taste and more body.

Mainly in Kyusyu area, we are working to realize a stable and a high-quality procurement by actively utilizing cultivation abandoned agricultural land under management of the large-scaled tea plantations 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, the mainstay product "Kenko Mineral Mugicha" (healthy mineral barley tea) continued to perform well. In addition, Food for Specified Health Uses, as represented by "Ohgon Oolong Cha" showed good results.

In the coffee beverages category, the "TULLY'S COFFEE" brand series continues to enjoy popularity, especially the aluminum can shaped like a bottle, achieving ever higher sales volumes in each fiscal period.

We continued our efforts to improve its profitability by strengthening mainstay brands with a focus on small containers, making further cost cuts, bolstering control of advertising, sales and marketing expenses while being mindful of their cost benefits, and strengthening management of business results by area, amid the harsh conditions surrounding sales activities.

Chichiyasu Company was engaged in active 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 continuously adding to its foundation for boosting the profitability of the Group's vending machine business.

In the overseas markets, regarding tea leaf products, ITO EN has actively expanded its business overseas, particularly in the U.S., Australia and Southeast Asia, through sales of *matcha* green tea offered under the "Global Brand."

For beverage products, ITO EN (North America) INC. steadily increased sales of sugar-free beverages such as "Oi Ocha" driven by the global boom of Japanese food and the increasing health trend. In addition, Distant Lands Trading Company, which engages in the entire process from cultivation to sales of coffee beans, mainly in the U.S., will continue to pursue synergies through sales of our Group's products to its main customers, namely food service chains.

Toward the Tokyo Olympic and Paralympic Games to be held in Tokyo in 2020, we will continue active sales activities for

tea leaf products and beverage products and concurrently bring out the best in the Company's unique business model covering the entire process from the tea fields to products to provide new value for a healthy and rich dietary life around the world. Starting from the current "mainly Japanese ITO EN", to that end, we aim at growing up our brands to the level of the "Global ITO EN".

As a result, net sales in the Tea Leaves and Beverages Business up 0.1%, to 120,038 million yen, and operating income up 58.9%, to 5,672 million yen from the previous fiscal year.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. is contributing to earnings growth, with solid sales of drinks driven by seasonal products such as "Chocolista" (Chocolate Shake). In addition, pasta items, delicatessen items, and sandwich items are also popular.

Furthermore, new coffee shop openings have been smooth, and expansion continues, with the total number of coffee shops at present being 651. 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, net sales in the Restaurant Business rose 10.2% year on year, to 7,421 million yen, and operating income declined 7.2% year on year, to 888 million yen from the previous fiscal year.

<Others>

Mason Distributors, Inc. showed good results with dietary supplement sales.

As a result, net sales in the Others rose 6.8% year on year, to 1,584 million yen, and operating income rose 17.0%, to 284 million yen from the previous fiscal year.

(2) Explanations Regarding Consolidated Financial Position

The following is as consolidated financial position for the First quarter of the fiscal year ending April 30, 2017.

<Assets>

Assets at the end of July 31, 2016 stood at 290,050 million yen, increased by 2,347 million yen from the previous fiscal year.

The major factors for the increase were a rise of 6,971 million yen in "Notes and accounts receivable-trade" and an increase of 4,943 million yen in "Merchandise and finished goods."

The major factors for the decrease were a fall of 7,792 million yen in "Cash and deposits" and a decrease of 1,086 million yen in "Goodwill."

<Liabilities>

Liabilities at the end of July 31, 2016 stood at 163,844 million yen, increased by 3,357 million yen from the previous fiscal year.

The major factors for the increase were a rise of 4,661 million yen in "Notes and accounts payable-trade" and an increase of 3,069 million yen in "Accrued expenses."

The major factors for the decrease were falls of 1,737 million yen in "Income taxes payable," 1,558 million yen in "Provision for bonuses," and a decrease of 1,010 million yen in "Lease obligations."

<Net assets>

Net assets at the end of July 31, 2016 stood at 126,205 million yen, decreased by 1,009 million yen from the previous fiscal year.

The major changes of the net assets were an increase of 3,578 million yen in "Retained earnings" due to "Profit attributable to owners of parent," and decreases of 2,626 million yen due to "Dividends from surplus" and 1,912 million yen in "Foreign currency translation adjustment."

(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, considering the financial results of the first three months 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 profit before income taxes for the consolidated 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.

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

Changes in Accounting Policies

(Application of Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes)

With the revision to the Corporation Tax Act, the “Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes” (Practical Issues Task Force No. 32 of June 17, 2016) was applied to the consolidated first fiscal quarter under review and the depreciation method for buildings accompanying facilities and structures obtained after April 1, 2016 was changed from the declining-balance method to the straight-line method.

In addition, this change will have an insignificant impact on profits and losses for the first three consolidated months under review.

Changes in Accounting Estimate

(Change in the service life)

Up until now, a service life of 5 to 6 years has been applied to the vending machines included in tools, appliances, and fixtures and lease assets in the possession of the Group, taking into account depreciation. However, the service life was reviewed and changed to 8 years for and after the consolidated first fiscal quarter under review.

Following the introduction of the high-performance vending machine that is better than the previous ones, it was discovered during the consolidated first three months under review that the new machine can be used longer than before.

As a result of this discovery, it was found that there is a difference between the service life before the change and the estimated economically usable period. Thus, it is believed that the cost allocation over 8 years should properly reflect the actual conditions of the Group.

Following this change, operating income increased by 892 million yen, and ordinary income and profit before income taxes increased by 884 million yen for the consolidated first three months under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

As of July 31, 2016 and April 30, 2016

	Million yen	
	4/30/2016	7/31/2016
Assets		
Current assets:		
Cash and deposits	53,259	45,466
Notes and accounts receivable - trade	53,553	60,524
Merchandise and finished goods	27,074	32,018
Raw materials and supplies	7,981	8,182
Other	17,752	16,999
Allowance for doubtful accounts	(105)	(94)
Total current assets	159,517	163,097
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	19,593	21,135
Land	20,644	20,454
Lease assets, net	29,154	29,030
Other, net	11,625	10,831
Subtotal	81,018	81,451
Intangible assets:		
Goodwill	20,179	19,092
Other	6,975	6,534
Subtotal	27,154	25,627
Investments and other assets:		
Other	20,336	20,193
Allowance for doubtful accounts	(323)	(319)
Subtotal	20,012	19,873
Total non-current assets	128,185	126,952
Total assets	287,702	290,050
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	33,353	38,015
Short-term loans payable	1,801	1,796
Current portion of bonds	20,000	20,000
Lease obligations	10,442	10,197
Accrued expenses	23,194	26,263
Income taxes payable	3,945	2,207
Provision for bonuses	3,284	1,725
Other	4,734	4,639
Total current liabilities	100,756	104,845
Non-current liabilities:		
Long-term loans payable	29,653	29,562
Lease obligations	16,630	15,865
Net defined benefit liability	9,668	9,766
Other	3,777	3,803
Total non-current liabilities	59,729	58,998
Total liabilities	160,486	163,844

Quarterly Consolidated Balance Sheets - Continued

	Million yen	
	4/30/2016	7/31/2016
Net assets		
Shareholders' equity:		
Capital stock	19,912	19,912
Capital surplus	18,640	18,640
Retained earnings	94,311	95,262
Treasury shares	(1,302)	(1,306)
Total shareholders' equity	131,562	132,509
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,828	1,784
Deferred gains or losses on hedges	(45)	(27)
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	137	(1,775)
Remeasurements of defined benefit plans	(1,219)	(1,186)
Total accumulated other comprehensive income	(5,352)	(7,258)
Subscription rights to shares	39	54
Non-controlling interests	965	900
Total net assets	127,215	126,205
Total liabilities and net assets	287,702	290,050

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1, 2016 to July 31, 2016

Quarterly Consolidated Statement of Income [First quarter period]

	Million yen	
	7/31/2015	7/31/2016
Net sales	128,182	129,043
Cost of sales	69,734	68,660
Gross profit	58,448	60,383
Selling, general and administrative expenses	54,158	53,858
Operating income	4,289	6,524
Non-operating income:		
Interest income	32	11
Dividend income	37	38
Foreign exchange gains	617	—
Share of profit of entities accounted for using equity method	31	14
Other	130	138
Total non-operating income	848	202
Non-operating expenses:		
Interest expenses	306	235
Foreign exchange losses	—	659
Other	33	109
Total non-operating expense	339	1,004
Ordinary income	4,798	5,722
Extraordinary income:		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses:		
Loss on abandonment of non-current assets	3	8
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	3	0
Impairment loss	—	20
Loss on disaster	—	32
Total extraordinary losses	7	61
Profit before income taxes	4,792	5,662
Income taxes	2,346	1,995
Profit	2,445	3,666
Profit attributable to non-controlling interests	53	87
Profit attributable to owners of parent	2,391	3,578

Quarterly Consolidated Statement of Comprehensive Income [First quarter period]

	Million yen	
	7/31/2015	7/31/2016
Profit	2,445	3,666
Other comprehensive income:		
Valuation difference on available-for-sale securities	361	(44)
Deferred gains or losses on hedges	(14)	17
Foreign currency translation adjustment	649	(1,966)
Remeasurements of defined benefit plans, net of tax	20	33
Share of other comprehensive income of entities accounted for using equity method	32	(17)
Total other comprehensive income	1,049	(1,977)
Comprehensive income	3,494	1,688
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,429	1,672
Comprehensive income attributable to non-controlling interests	65	16

(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 First quarter of the previous fiscal year ended April 30, 2016 (May 1, 2015 – July 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	119,966	6,733	1,482	128,182	—	128,182
(2) Intersegment	76	173	685	935	(935)	—
Total net sales	120,043	6,906	2,168	129,118	(935)	128,182
Segment profits (losses)	3,570	957	243	4,771	(481)	4,289

Notes: i .The segment profits (losses) adjustment includes (¥485) million in amortization of goodwill and ¥4 million in intersegment transactions.

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

ii . For the First quarter of the fiscal year ending April 30, 2017 (May 1, 2016 – July 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	120,038	7,421	1,584	129,043	—	129,043
(2) Intersegment	83	4	671	759	(759)	—
Total net sales	120,122	7,425	2,255	129,803	(759)	129,043
Segment profits (losses)	5,672	888	284	6,845	(321)	6,524

Notes: i .The segment profits (losses) adjustment includes (¥370) million in amortization of goodwill and ¥49 million in intersegment transactions.

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