

Consolidated Financial Results

Under Japanese Standards for the First Quarter of the fiscal year ending April 30, 2018 (Unaudited)

Scheduled filing date of quarterly securities report: September 13, 2017

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, 2018 (May 1, 2017 - July 31, 2017)

(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	
7/31/2017	136,451	5.7%	6,323	-3.1%	6,141	7.3%	3,692	3.2%
7/31/2016	129,043	0.7%	6,524	52.1%	5,722	19.2%	3,578	49.6%

Note: Comprehensive income 7/31/2017: 4,166 million yen (146.7%) 7/31/2016: 1,688 million yen (-51.7%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2017	30.15	30.07
7/31/2016	29.14	29.06

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	
7/31/2017	306,350	138,078	44.7%
4/30/2017	302,405	136,709	44.8%

Reference: Shareholders' equity 7/31/2017: 136,975 million yen 4/30/2017: 135,520 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
4/30/2017	—	20.00	—	20.00	40.00
4/30/2018	—	—	—	—	—
4/30/2018 (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, 2018 (May 1, 2017 - April 30, 2018)

(% 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
10/31/2017	264,800	2.6%	14,400	0.5%	14,000	3.5%	9,000	0.9%	72.10
4/30/2018	492,500	3.5%	22,600	3.8%	22,000	2.2%	14,000	2.2%	111.55

Note: Revision to the most recently disclosed dividend forecast: 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) Significant changes in subsidiaries during the period

(Changes in specific subsidiaries due to 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 due to amendments of amendments of 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) 7/31/2017 89,212,380 shares 4/30/2017 89,212,380 shares

ii . Number of treasury stock 7/31/2017 512,689 shares 4/30/2017 519,379 shares

iii. Average number of shares during the period 7/31/2017 88,693,717 shares 7/31/2016 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: The consolidated financial result for the First Quarter of the Fiscal Year Ending April 30, 2018 is not subject to quarterly review procedures.

*Note: 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 "(3) Explanations Regarding Forecasts for Consolidated Results and Future Outlook" on page 3.

Reference

(1) Earnings per share – Class-A Preferred Stock (May 1, 2017 – July 31, 2017)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
7/31/2017	30.15	30.07
7/31/2016	29.14	29.06

(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
4/30/2017	—	25.00	—	25.00	50.00
4/30/2018	—				
4/30/2018 (Forecast)		25.00	—	25.00	50.00

Note: Revision to the most recently disclosed dividend forecast: None

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

	Earnings per share (Consolidated)
	Yen
10/31/2017	77.10
4/30/2018	121.55

Note: Revision to the most recently disclosed dividend forecast: None

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

i . Number of outstanding shares (including treasury stock)	7/31/2017	34,246,962 shares	4/30/2017	34,246,962 shares
ii . Number of treasury stock	7/31/2017	462,808 shares	4/30/2017	459,928 shares
iii . Average number of shares during the period	7/31/2017	33,785,346 shares	7/31/2016	34,136,165 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 ended April 30, 2018 (May 1, 2017 - July 31, 2017), the Japanese economy has been despite a heightened sense of uncertainty about the future due to the increasingly uncertain overseas economy and policies, our company is on a gradual recovery trend due in part to the improvement in corporate earnings and the employment/income environment.

In the beverage industry, there are signs of recovery in the consumers' mind and confidence, although the sales competition between the companies is increasing and the management environment continues to be tough.

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 136,451 million yen, up 5.7% from the previous fiscal year. On the earnings front, resulted in operating income of 6,323 million yen, down 3.1% year on year, ordinary income of 6,141 million yen, up 7.3%, and profit attributable to owners of parent of 3,692 million yen, up 3.2%.

Net sales	136,451 million yen, up 5.7%
Operating income	6,323 million yen, down 3.1%
Ordinary income	6,141 million yen, up 7.3%
Profit attributable to owners of parent	3,692 million yen, up 3.2%

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 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. In particular, we have actively promoted “*Koorimizu-dashi Ryokucha*” (green tea made with ice-cold water), which allows customers to enjoy the unique *umami* (taste) and sweetness of green tea leaves while the bitterness is suppressed, boosting demand for green tea leaves in the summer. Also, convenient tea leaf products that can be made with ease, such as “*Premium Tea Bag Series*” and instant powder-type green teas continues to enjoy popularity.

In the beverage products category, in relation to the mainstay product “*Oi Ocha*” (green tea), focusing more on the freshness, we have brought out more of the mild taste and aroma by extracting only the *umami* and sweetness of green tea leaves. 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 plantations with productivity and environmental preservation. ITO EN has increased the prescribed amount for preparing “*Oi Ocha Senyo Chayou*” – which have developed this product by focusing on the freshness from cultivation to processing 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 and Chinese Tea category, “*Kenko Mineral Mugicha*” (healthy mineral barley tea), the best-selling non-caffeinated tea product, has been selling well, a measure against the summer heat as a tasty beverage that supplements minerals and prevents dehydration.

In the coffee beverages category, the “*TULLY'S COFFEE*” brand series continues to be popular as a product that leads the bottle-canned coffee market.

We will continue our efforts to improve the profitability by strengthening sales mainstay brands, 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 business environment surrounding sales activities.

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 has been continuously adding to its foundation for boosting the profitability of the Group's vending machine business.

In the overseas markets, regarding the tea leaf products, ITO EN has proactively grown its business overseas, particularly in the U.S. Australia and Southeast Asia, with the release of “*MATCHA GREEN TEA*” offered in “*Global Brand*.”

For the beverage products, ITO EN (North America) INC. steadily increased sales of unsweetened tea beverages such as “*Oi Ocha*” 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 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 measures such as sales of our Group's products to its main customers, namely food service chain operators.

As a result, net sales in the Tea Leaves and Beverages Business up 5.6%, to 126,793 million yen, and operating income down 3.1%, to 5,498 million yen from the previous fiscal year.

<Restaurant Business>

Tully's Coffee Japan Co., Ltd. is "Iced Cappuccino" is Tully's 20th Anniversary commemorative drink to be released. The teas beverages do show satisfactory sales performances. Also, delicatessen items such as pasta, and sandwich items are also popular.

In addition, new coffee shop openings have been smooth with the total number of coffee shops at present being 679. 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 5.7% year on year, to 7,846 million yen, and operating income declined 5.2% year on year, to 841 million yen from the previous fiscal year.

<Others>

As a result, net sales in the Others rose 14.3% year on year, to 1,811 million yen, and operating income rose 6.2%, to 302 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, 2018.

<Assets>

Total assets at the end of July 30, 2017 stood at 306,350 million yen, increased by 3,944 million yen from the previous fiscal year. These changes in total assets mainly reflected increases of 11,062 million yen in "Notes and accounts receivable-trade," 3,425 million yen in "Merchandise and finished goods," and decrease of 8,778 million yen in "Cash and deposits."

<Liabilities>

Liabilities at the end of July 30, 2017 stood at 168,272 million yen, increased by 2,576million yen from the previous fiscal year. These changes in liabilities mainly reflected increases of 2,679 million yen in "Notes and accounts payable-trade," 3,093 million yen in "Accrued expenses," and decrease of 1,982 million yen in "Income taxes payable."

<Net assets>

Net assets at the end of July 31, 2017 stood at 138,078 million yen, increased by 1,368 million yen from the previous fiscal year. The major changes of the net assets were an increase of 3,692 million yen in "Retained earnings" due to "Profit attributable to owners of parent," and a decrease of 2,618 million yen due to "Dividends from surplus."

(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 to the consolidated forecasts previously announced June 1, 2017.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

As of July 31, 2017 and April 30, 2017

	Million yen	
	4/30/2017	7/31/2017
Assets		
Current assets:		
Cash and deposits	64,202	55,424
Notes and accounts receivable - trade	54,677	65,739
Merchandise and finished goods	30,718	34,144
Raw materials and supplies	7,181	7,693
Other	17,978	15,189
Allowance for doubtful accounts	(99)	(93)
Total current assets	174,657	178,097
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	20,987	21,171
Land	21,587	21,577
Lease assets, net	27,889	27,292
Other, net	12,574	14,062
Subtotal	83,039	84,103
Intangible assets:		
Goodwill	18,371	17,910
Other	6,082	5,805
Subtotal	24,454	23,716
Investments and other assets:		
Other	20,540	20,717
Allowance for doubtful accounts	(285)	(284)
Subtotal	20,254	20,432
Total non-current assets	127,748	128,252
Total assets	302,405	306,350
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	33,061	35,741
Short-term loans payable	2,364	2,468
Lease obligations	8,995	8,529
Accrued expenses	25,297	28,390
Income taxes payable	4,490	2,507
Provision for bonuses	3,549	1,767
Other	3,802	5,561
Total current liabilities	81,560	84,967
Non-current liabilities:		
Bonds payable	10,000	10,000
Long-term loans payable	47,433	47,060
Lease obligations	13,468	12,771
Net defined benefit liability	9,455	9,589
Other	3,778	3,884
Total non-current liabilities	84,135	83,305
Total liabilities	165,696	168,272

Quarterly Consolidated Balance Sheets - Continued

	Million yen	
	4/30/2017	7/31/2017
Net assets		
Shareholders' equity:		
Capital stock	19,912	19,912
Capital surplus	18,644	18,640
Retained earnings	102,750	103,814
Treasury shares	(1,983)	(1,975)
Total shareholders' equity	139,323	140,392
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,133	2,461
Revaluation reserve for land	(6,053)	(6,053)
Foreign currency translation adjustment	747	774
Remeasurements of defined benefit plans	(629)	(598)
Total accumulated other comprehensive income	(3,802)	(3,416)
Subscription rights to shares	66	88
Non-controlling interests	1,122	1,014
Total net assets	136,709	138,078
Total liabilities and net assets	302,405	306,350

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

From May 1, 2017 to July 31, 2017

Quarterly Consolidated Statement of Income [First quarter period]

	Million yen	
	7/31/2016	7/31/2017
Net sales	129,043	136,451
Cost of sales	68,660	73,218
Gross profit	60,383	63,232
Selling, general and administrative expenses	53,858	56,909
Operating income	6,524	6,323
Non-operating income:		
Interest income	11	11
Dividend income	38	40
Share of profit of entities accounted for using equity method	14	40
Other	138	139
Total non-operating income	202	232
Non-operating expenses:		
Interest expenses	235	184
Foreign exchange losses	659	111
Other	109	118
Total non-operating expense	1,004	413
Ordinary income	5,722	6,141
Extraordinary income:		
Gain on sales of non-current assets	0	1
Total extraordinary income	0	1
Extraordinary losses:		
Loss on abandonment of non-current assets	8	3
Loss on sales of investment securities	0	-
Loss on valuation of investment securities	0	-
Impairment loss	20	13
Loss on disaster	32	-
Total extraordinary losses	61	16
Profit before income taxes	5,662	6,125
Income taxes	1,995	2,353
Profit	3,666	3,772
Profit attributable to non-controlling interests	87	79
Profit attributable to owners of parent	3,578	3,692

Quarterly Consolidated Statement of Comprehensive Income [First quarter period]

	Million yen	
	7/31/2016	7/31/2017
Profit	3,666	3,772
Other comprehensive income:		
Valuation difference on available-for-sale securities	(44)	284
Deferred gains or losses on hedges	17	-
Foreign currency translation adjustment	(1,966)	37
Remeasurements of defined benefit plans, net of tax	33	31
Share of other comprehensive income of entities accounted for using equity method	(17)	41
Total other comprehensive income	(1,977)	393
Comprehensive income	1,688	4,166
Comprehensive income attributable to owners of parent	1,672	4,079
Comprehensive income attributable to non-controlling interests	16	87

(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 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.

(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, 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.

II . For the First quarter of the fiscal year ending April 30, 2018 (May 1, 2017 – July 31, 2017)

(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	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 in amortization of goodwill and ¥55 million in intersegment transactions.

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